

PACWEST PROPERTIES, LLC

6837 Farmdale Ave
North Hollywood, CA. 91605

April 30, 2006

Kim Muratore, Case Developer (SFD-7-B)
U.S. EPA, Region 9
75 Hawthorne Street
San Francisco, CA. 94105

RE: General Notice Letter / 104(e) for the San Fernando Valley/North
Hollywood Superfund Site, North Hollywood, CA.

Dear Kim Muratore,

Pacwest Properties LLC ("Pacwest") responds to your letter dated Apr. 11, 2006. Pacwest is a real estate investment company. Pacwest's only assets are 6837 & 6829 Farmdale Ave. Pacwest has never had any operations at either Farmdale address. As a landlord, Pacwest receives rental income that covers its expenses to maintain and pay the mortgages.

Your reference in your letter that 6829 and 6837 as the "Facility" is incorrect. Pacwest states that the property at 6837 Farmdale Ave. has been incorrectly misidentified as a superfund site. And at no time has been identified as such. 6837 and 6829 Farmdale are completely separate legal parcels with separate addresses. It is also Pacwest's understanding that the property at 6829 Farmdale Ave. was investigated several times and found to contain no hazardous substance releases long before Pacwest purchased the property. Since Pacwest does not use any chemicals or perform any operations, it should be considered exempt from any and all responsibilities in this matter.

1. Erik Bruun-Andersen
6837 Farmdale Ave North Hollywood, CA. 91605
818 765-7266
Manager / Feb. 2001
2. a. January 8, 2003 - present
b. 2320-005-18 – (6837 Farmdale Ave.), 2320-005-012 – (6829 Farmdale Ave.)

c. Included

d. (For 6829 Farmdale Ave.) Pacific Steel Treating Co., Inc.

FX-6 Personal Privacy

(For 6837 Farmdale Ave.) Niels Bruun-Andersen Trust

FX-6 Personal Privacy

NB-A Holdings, LLC

FX-6 Personal Privacy

e. Included, Pacwest Properties has leased 6837 Farmdale Ave. to Pacific Magnetic & Penetrant Co., Inc. for its visual inspection service since January 2003. Pacwest has leased to Pacific Magnetic & Penetrant Co., Inc. 6829 Farmdale Ave. for warehouse storage of company records since January 2003.

f. Pacific Magnetic & Penetrant Co., Inc.

Erik Bruun-Andersen

6837 Farmdale Ave. North Hollywood, CA. 91605

818-765-7266

g. Pacific Magnetic & Penetrant operates a Non-Destructive Testing Laboratory Service at 6837 Farmdale Ave. When Pacwest purchased 6837 Farmdale Ave in January 2003, Pacific Magnetic & Penetrant Co., Inc. was a tenant and continues to currently rent the property.

When Pacwest purchased 6829 Farmdale in January 2003, the building was vacant. Pacific Magnetic & Penetrant Co., Inc. started renting warehouse space at that time. And is currently renting.

3. (For 6837 Farmdale Ave.)

Erik Bruun-Andersen, President

Pacific Magnetic & Penetrant Co., Inc.

6837 Farmdale Ave.

North Hollywood, CA. 91605

818-765-7266, 1992-present

(For 6829 Farmdale Ave.)

Pacific Steel Treating Co., Inc.

FX-6 Personal Privacy

4. Active

5. February 28, 2001, South Dakota
6. Limited Liability Company
7. January 8, 2003,
6837 Farmdale Ave. North Hollywood, CA. 91605
8. Included
9. N/A
10. No Sales
11. No investments in other businesses, companies or corporations.
12. Pacwest Properties LLC, Erik Bruun-Andersen/ Manager. February 2001.
13. Pacwest never operated at the "Facility" of 6829 Farmdale Ave. or at the property at 6837 Farmdale Ave.
14. N/A
15. a. Pacific Steel Treating Co., Inc. owned/operated the property at 6829 Farmdale Ave.
b. Heat Treating at 6829 Farmdale Ave.
c. Pacwest has no documents.
d. Pacwest has no documents.
16. Pacwest has no operations or employees. Pacwest uses no hazardous substances nor disposes wastes.
17. 6837 Farmdale has 4494 sq. ft., of building space - 6829 Farmdale has 5,629 sq. ft., of building space and 2,574 of covered storage.
Pacwest has no operations and has no employees.
18. a. The building at 6829 Farmdale Ave. are a combination of concrete block and combo stucco/ wood construction with metal / composition roof. Diagram included.
b. none
c. Pacwest does not know of wells. Please check with prior owners.
d. none
e. none
f. none
19. Pacwest does not use hazardous materials.
20. Pacwest does not use chemicals.

21. Pacwest does not use chemicals.
 22. N/A
 23. N/A
 24. Insurance of Pacwest provided.
 25. N/A
 26. Pacwest does not use chemicals.
 27. N/A
 28. Pacwest does not use chemicals.
 29. Pacwest does not use chemicals.
 30. Pacwest understood perchloroethylene had been used at 6829 Farmdale Ave. by Pacific Steel Treating Co., Inc.
 31. Pacific Steel Treating Co., Inc. had operated a Heat Treating Business until 1992.
 32. N/A
 33. N/A
 34. Pacwest does not use chemicals.
 35. Pacific Magnetic & Penetrant Co., Inc./ member
6837 Farmdale Ave.
North Hollywood, CA. 91605
818-765-7266
 36. Pacwest Properties LLC purchased 6837 Farmdale Ave. in January 2003 from the Erik & Else Bruun-Andersen Trust. With a note payable to Niels Bruun-Andersen Trust
- FX-6 Personal Privacy**

Pacwest Properties LLC purchased 6829 Farmdale Ave. in January 2003 from Pacific Steel Treating Co., Inc. with a note payable to NB-A Holdings, LLC.

FX-6 Personal Privacy

37. No known activities by Pacific Steel Treating Co., Inc. from when Pacwest Properties LLC purchased the property in Jan 2003 until December 2004.


38. (1) Pacwest Properties LLC has no affiliation of any kind with Pacific Steel Treating Co., Inc.

(2) Pacific Magnetic & Penetrant Co., Inc. is the only member of Pacwest Properties LLC.

39. Pacwest does not use chemicals.

I trust this information adequately responds to your letter. Please feel free to contact me should you have any questions regarding this correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Erik B. Andersen", with a long horizontal flourish extending to the right.

Erik Bruun-Andersen

6837 Farmdale Ave.

North Hollywood, CA. 91605

818-765-7266

Equity Title

RECORDING REQUESTED BY:
EQUITY TITLE COMPANY - ~~SANTA BARBARA~~

AND WHEN RECORDED MAIL TO:

PACWEST Properties, LLC
6837 Farmdale Avenue
N. Hollywood, CA 91605

Order No.: SB0355576
Escrow No.: MC-55576-NW
A.P.N.: 2020-005-042

350080

Question 2c

03 0615948

2

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

CORPORATION GRANT DEED

THE UNDERSIGNED GRANTOR(S) DECLARE(S)
DOCUMENTARY TRANSFER TAX IS \$220.00 @ \$900.00 ⁴⁴

- ☒ computed on full value of property conveyed, or
☐ computed on full value less value of liens or encumbrances remaining at time of sale.
☐ unincorporated area ☒ City of Los Angeles

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

Pacific Steel Treating Company, Inc, a California corporation

a corporation organized and existing under the laws of the State of California, does hereby

GRANT(S) to **PACWEST Properties, LLC**

The real property in the City of Los Angeles, County of Los Angeles, State of California, described as:

See Exhibit "A" attached hereto and made a part hereof.

6829 FARMDALE AVE.

Dated: February 13, 2003

STATE OF CALIFORNIA
COUNTY OF SANTA BARBARA

} ss.

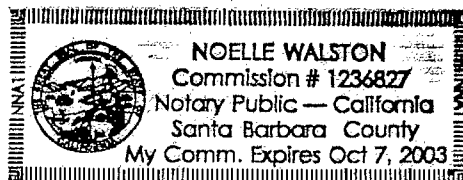
On 2.14.03 before me
NOELLE WALSTON
a Notary Public in and for said County and State, personally
appeared LARS E. BRUUN-ANDERSEN

Pacific Steel Treating Company, Inc

Lars E. Bruun-Andersen

By: Lars E. Bruun-Andersen

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s), acted, executed the instrument.



WITNESS my hand and official seal.

Signature

Signature of Notary

Commission Expiration Date: 10.7.03

(This area for official notarial seal)

MAIL TAX STATEMENTS TO: PACWEST Properties, LLC, 6837 Farmdale Avenue, N. Hollywood, CA 91605

PARCEL MAP L.A. NO 664

IN THE CITY OF LOS ANGELES
STATE OF CALIFORNIABEING A DIVISION OF A PORTION OF LOT 74, PROPERTY OF THE LANKERSHIM
RANCH LAND & WATER CO. PER MAP RECORDED IN BOOK 31 PAGES 39 TO 44 IN-
CLUSIVE OF MISCELLANEOUS RECORDS, RECORDS OF LOS ANGELES COUNTY.

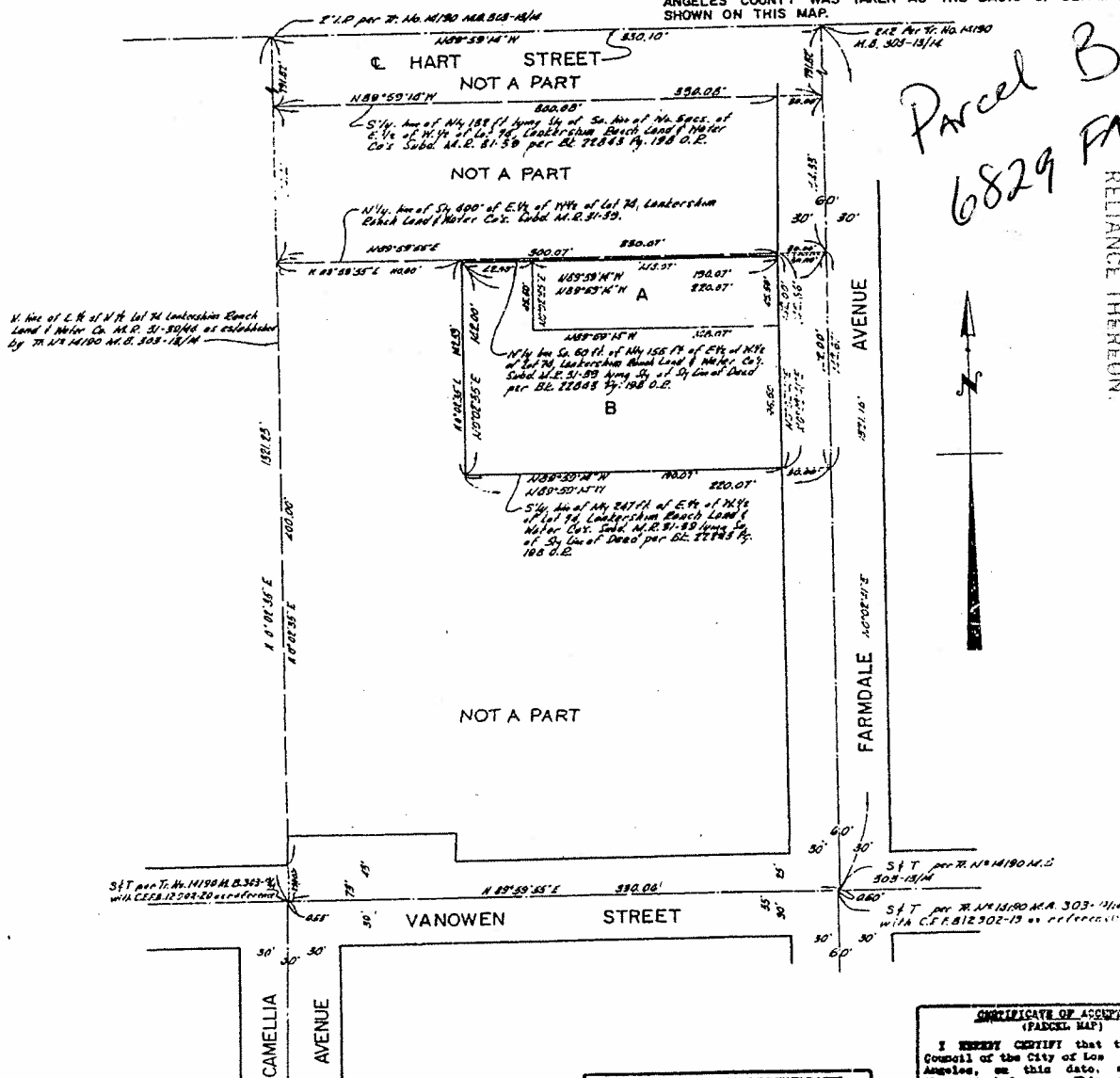
3238

FILED
AT REQUEST OF
Erik Brunn-Anderson
JAN. 5, 1967
1:30 PM
PMB
BOOK 10
AT PAGE 10
OF PARCEL MAP
LOS ANGELES COUNTY, CALIF.
BY RAY E. LEE
COUNTY CLERK

ENGINEERS CERTIFICATE
THIS MAP WAS PREPARED UNDER MY DIRECTION, AND WAS COMPILED FROM
RECORD DATA IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION
MAP ACT AT THE REQUEST OF ERIK BRUNN-ANDERSON ON JANUARY 30, 1967. I
HEREBY CERTIFY THAT IT CONFORMS TO THE APPROVED TENTATIVE MAP AND
THE CONDITIONS OF APPROVAL THEREOF, THAT ALL PROVISIONS OF APPLICABLE
STATE LAWS AND LOCAL ORDINANCES HAVE BEEN COMPLIED WITH.

John J. Miles
JOHN J. MILES R.C.E. 10377
VANTAGE ENGINEERING CO.

BASIS OF BEARINGS:
THE BEARING N^{02°41'E} OF THE CENTER LINE OF FARMDALE
AVENUE AS SHOWN ON MAP OF TRACT NO. 14190, RECORDED
IN BOOK 303 PAGES 13 AND 14 OF MAPS, RECORDS OF LOS
ANGELES COUNTY WAS TAKEN AS THE BASIS OF BEARINGS
SHOWN ON THIS MAP.

CITY ENGINEER'S CERTIFICATE
(PARCEL MAP)

This map has been examined this
22nd day of December
1967, for conformance with the
requirements of Section 11575 of the
Subdivision Map Act.

LYALL A. PARDEE, City Engineer

Lyall A. Pardee

CERTIFICATE OF ACCEPTANCE
(PARCEL MAP)

I HEREBY CERTIFY that the City
Council of the City of Los
Angeles, on this date, approved
the attached map. This approval
shall not be construed as an
acceptance of any improvements
made in or upon any street, road,
alley, highway or easement shown
on this map.

Date: January 5th, 1967
Robert G. Isaacs, City Clerk

M. J. Jenkins, Deputy

Equity Title

Question 2c

2

RECORDING REQUESTED BY:
EQUITY TITLE COMPANY - SANTA BARBARA

AND WHEN RECORDED MAIL TO:

PACWEST Properties
6837 Farmdale Avenue
N. Hollywood, CA 91605

Order No.: SB0355575
Escrow No.: MC-55575-NW
A.P.N.: 2320-005-018

03 0302508

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

GRANT DEED

THE UNDERSIGNED GRANTOR(S) DECLARE(S)

DOCUMENTARY TRANSFER TAX IS \$ 331.65

CITY TRANSFER TAX IS \$ 1,356.

- ☒ computed on full value of property conveyed, or
☐ computed on full value less value of liens or encumbrances remaining at time of sale.
☐ unincorporated area ☒ City of Los Angeles AND

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Lars E. Bruun-Andersen and Frances E. Bruun-Andersen, Trustees of the Bruun-Andersen Family Estate Trust Dated January 31, 1992 and Joan B. Bundick, Trustee of the Joan B. Bundick Individual Estate Trust Dated September 20, 2002 and Peter E. Bruun-Andersen and Elisabeth Bruun-Andersen, Trustees of the Peter E. Bruun-Andersen Trust under Agreement Dated May 18, 1998

hereby GRANT(S) to PACWEST Properties, a Limited Liability Company

the following described real property in the County of Los Angeles, State of California

See Exhibit "A" attached hereto and made a part hereof.

6837 FARMDALE AVE.

Dated: January 17, 2003

STATE OF California
COUNTY OF Riverside

On January 19, 2003 before me

Joyce E. Mehmen
a Notary Public in and for said County and State, personally
appeared Lars E. and Frances E. Bruun-Andersen

} SS. Peter E. Bruun-Andersen Trust under
Agreement Dated May 18, 1998

Peter E. Bruun-Andersen
By: Peter E. Bruun-Andersen, Trustee

Elisabeth Bruun-Andersen
By: Elisabeth Bruun-Andersen, Trustee

Joan B. Bundick Individual Estate Trustee
Dated September 20, 1992

Joan B. Bundick
By: Joan B. Bundick, Trustee

Bruun-Andersen Family Estate Trust
Dated January 31, 1992

Lars E. Bruun-Andersen
By: Lars E. Bruun-Andersen, Trustee

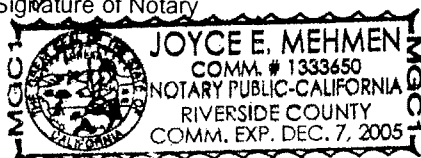
Frances E. Bruun-Andersen
By: Frances E. Bruun-Andersen, Trustee

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s), acted, executed the instrument.

WITNESS my hand and official seal.

Signature

Joyce E. Mehmen
Signature of Notary



Commission Expiration Date: December 7, 2005

(This area for official notarial seal)

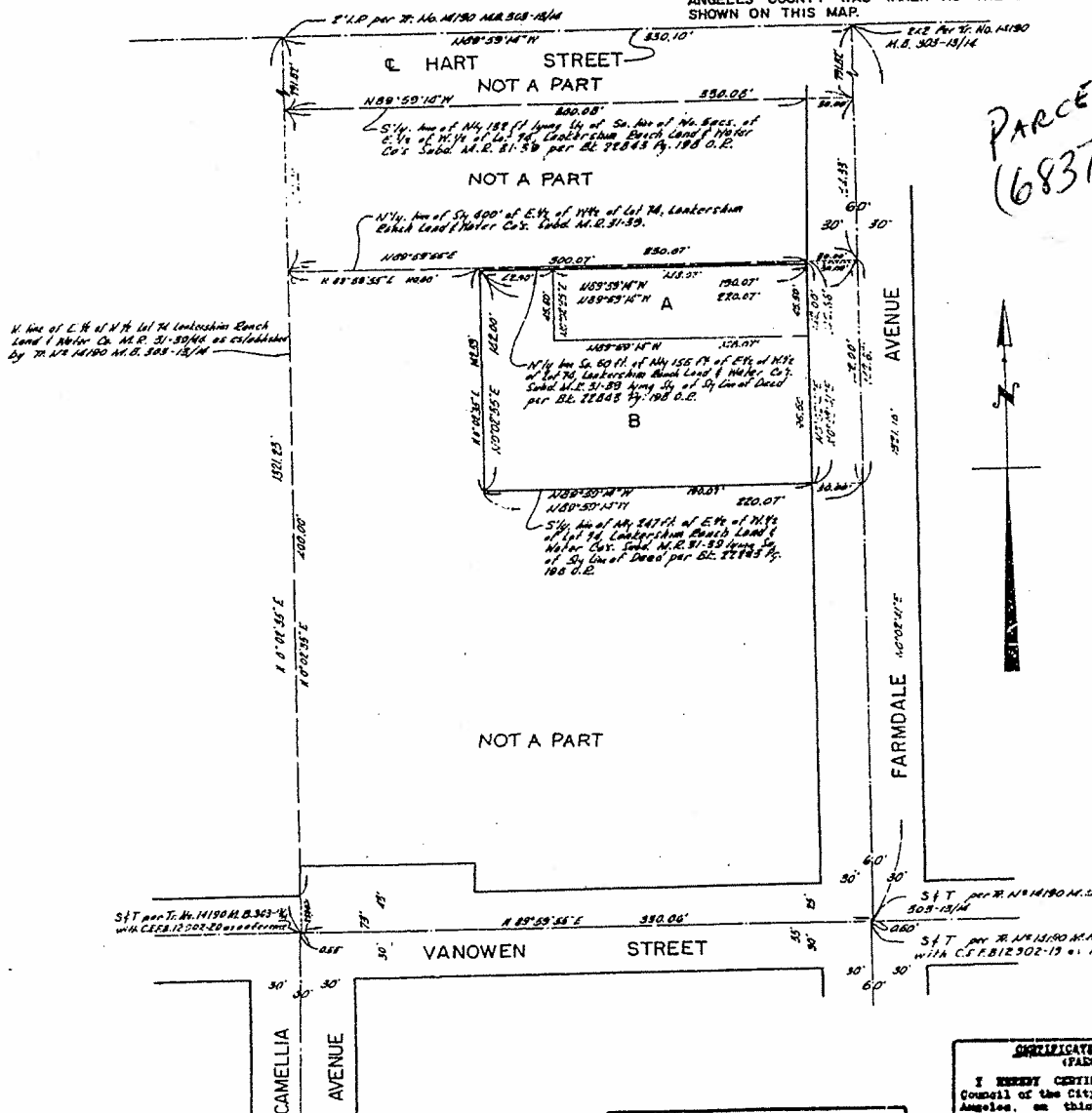
MAIL TAX STATEMENTS TO: PACWEST Properties, 6837 Farmdale Avenue, N. Hollywood, CA 91605

FILED
AT REQUEST OF
Erk Brown Anderson
JAN. 5, 1968
15 ROOM 3 P.M.
PAGE
IR. BOOK 10
AT PAGE 15
OF FRANCES MAE
LOS ANGELES COUNTY, CALIF.
RAY E. 1412
COUNTY RECORDER
BY [Signature] 5th

JOHN J. MILES R. C. E. 10377
VANTAGE ENGINEERING CO.

PARCEL A
(6837 FARMDALE)

THIS PLAN IS FOR YOUR AND INDIANAPOLIS' BENEFIT. IT IS NOT TO BE USED WITH REFERENCE TO CREDITS AND OTHER PARCELS. WHILE THIS PLAN IS BELIEVED TO BE CORRECT, THE COMPANY ASSUMES NO LIABILITY FOR ANY LOSS OCCURRING BY REASON OF RELIANCE THEREON.



Date: January 5th 1967
Wm. G. 1916 City Clerk
M. Jenkins Deputy

Question 2E

COMMERCIAL LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into JAN. 17, 2003 (date), by and between Pacwest Properties LLC., whose address is 6837 FARMDALE AVE., (hereinafter referred to as "Landlord"), and Pacific Magnetic & Penetrant Co., Inc., whose address is 6837 FARMDALE AVE., (hereinafter referred to as "Tenant").

Property - 6837 FARMDALE AVE.

ARTICLE I - GRANT OF LEASE

Landlord, in consideration of the rents to be paid and the covenants and agreements to be performed and observed by the Tenant, does hereby lease to the Tenant and the Tenant does hereby lease and take from the Landlord the property described in Exhibit "A" attached hereto and by reference made a part hereof (the "Leased Premises"), together with, as part of the parcel, all improvements located thereon.

ARTICLE II - LEASE TERM

Section 1. Total Term of Lease. The term of this Lease shall begin on the commencement date, as defined in Section 2 of this Article II, and shall terminate on FEBRUARY 2008 (date)

Section 2. Commencement Date. The "Commencement Date" shall mean the date on which the Tenant shall commence to conduct business on the Leased Premised, so long as such date is not in excess of sixty (60) days subsequent to execution hereof.

ARTICLE III - EXTENSIONS

The parties hereto may elect to extend this Agreement upon such terms and conditions as may be agreed upon in writing and signed by the parties at the time of any such extension.

ARTICLE IV - DETERMINATION OF RENT

The Tenant agrees to pay the Landlord and the Landlord agrees to accept, during the term hereof, at such place as the Landlord shall from time to time direct by notice to the Tenant, rent at the following rates and times:

Section 1. Annual Rent. Annual rent for the term of the Lease shall be 25,685.40 Dollars (\$25,685.40), plus applicable sales tax.

LANDLORD GBA

TENANT GBA

Section 2. Payment of Yearly Rent. The annual rent shall be payable in advance in equal monthly installments of one-twelfth (1/12th) of the total yearly rent, which shall be 2140.45 Dollars (\$ 2140.45), on the first day of each and every calendar month during the term hereof, and prorata for the fractional portion of any month, except that on the first day of the calendar month immediately following the Commencement Date, the Tenant shall also pay to the Landlord rent at the said rate for any portion of the preceding calendar month included in the term of this Lease. Reference to yearly rent hereunder shall not be implied or construed to the effect that this Lease or the obligation to pay rent hereunder is from year to year, or for any term shorter than the existing Lease term, plus any extensions as may be agreed upon. A late fee in the amount of _____ Dollars (\$ 100. -) shall be assessed if payment is not postmarked or received by Landlord on or before the tenth day of each month.

ARTICLE V - SECURITY DEPOSIT

The Tenant has deposited with the Landlord the sum of 2140.45 Dollars (\$ 2140.45) as security for the full and faithful performance by the Tenant of all the terms of this lease required to be performed by the Tenant. Such sum shall be returned to the Tenant after the expiration of this lease, provided the Tenant has fully and faithfully carried out all of its terms. In the event of a bona fide sale of the property of which the leased premises are a part, the Landlord shall have the right to transfer the security to the purchaser to be held under the terms of this lease, and the Landlord shall be released from all liability for the return of such security to the Tenant.

ARTICLE VI - TAXES

Section 1. Personal Property Taxes. The Tenant shall be liable for all taxes levied against any leasehold interest of the Tenant or personal property and trade fixtures owned or placed by the Tenant in the Leased Premises.

Section 2. Real Estate Taxes. During the continuance of this lease Landlord shall deliver to Tenant a copy of any real estate taxes and assessments against the Leased Property. From and after the Commencement Date, the Tenant shall pay to Landlord not later than twenty-one (21) days after the day on which the same may become initially due, all real estate taxes and assessments applicable to the Leased Premises, together with any interest and penalties lawfully imposed thereon as a result of Tenant's late payment thereof, which shall be levied upon the Leased Premises during the term of this Lease.

Section 3. Contest of Taxes. The Tenant, at its own cost and expense, may, if it shall in good faith so desire, contest by appropriate proceedings the amount of any personal or real property tax. The Tenant may, if it shall so desire, endeavor at any time or times, by appropriate proceedings, to obtain a reduction in the assessed valuation of the Leased Premises for tax purposes. In any such event, if the Landlord agrees, at the request of the

LANDLORD EBA

TENANT EBA

Tenant, to join with the Tenant at Tenant's expense in said proceedings and the Landlord agrees to sign and deliver such papers and instruments as may be necessary to prosecute such proceedings, the Tenant shall have the right to contest the amount of any such tax and the Tenant shall have the right to withhold payment of any such tax, if the statute under which the Tenant is contesting such tax so permits.

Section 4. Payment of Ordinary Assessments. The Tenant shall pay all assessments, ordinary and extraordinary, attributable to or against the Leased Premises not later than twenty-one (21) days after the day on which the same became initially due. The Tenant may take the benefit of any law allowing assessments to be paid in installments and in such event the Tenant shall only be liable for such installments of assessments due during the term hereof.

Section 5. Changes in Method of Taxation. Landlord and Tenant further agree that if at any time during the term of this Lease, the present method of taxation or assessment of real estate shall be changed so that the whole or any part of the real estate taxes, assessment or governmental impositions now levied, assessed or imposed on the Leased Premises shall, in lieu thereof, be assessed, levied, or imposed wholly or in part, as a capital levy or otherwise upon the rents reserved herein or any part thereof, or as a tax, corporation franchise tax, assessment, levy or charge, or any part thereof, measured by or based, in whole or in part, upon the Leased Premises or on the rents derived therefrom and imposed upon the Landlord, then the Tenant shall pay all such taxes, assessments, levies, impositions, or charges. Nothing contained in this Lease shall require the Tenant to pay an estate, inheritance, succession, capital levy, corporate franchise, gross receipts, transfer or income tax of the Landlord, nor shall any of the same be deemed real estate taxes as defined herein unless the same be imposed in lieu of the real estate taxes.

ARTICLE VII - CONSTRUCTION AND COMPLETION

Section 1. Improvements by TENANT. Tenant may have prepared plans and specifications for the construction of improvements, and, if so, such plans and specifications are attached hereto as Exhibit "B" and incorporated herein by reference. Tenant shall obtain all certificates, permits, licenses and other authorizations of governmental bodies or authorities which are necessary to permit the construction of the improvements on the demised premises and shall keep the same in full force and effect at Tenant's cost. Tenant shall negotiate, let and supervise all contracts for the furnishing of services, labor, and materials for the construction of the improvements on the demised premises at its cost. All such contracts shall require the contracting party to guarantee performance and all workmanship and materials installed by it for a period of one year following the date of completion of construction. Tenant shall cause all contracts to be fully and completely performed in a good and workmanlike manner, all to the effect that the improvements shall be fully and completely constructed and installed in accordance with good engineering and construction practice. During the course of construction, Tenant shall, at its cost, keep in full force and effect a policy of builder's risk and liability insurance in a sum equal, from time to time, to three times the amount expended for

construction of the improvements. All risk of loss or damage to the improvements during the course of construction shall be on Tenant with the proceeds from insurance thereon payable to Landlord. Upon completion of construction, Tenant shall, at its cost, obtain an occupancy permit and all other permits or licenses necessary for the occupancy of the improvements and the operation of the same as set out herein and shall keep the same in force. Nothing herein shall alter the intent of the parties that Tenant shall be fully and completely responsible for all aspects pertaining to the construction of the improvements of the demised premises and for the payment of all costs associated therewith. Landlord shall be under no duty to investigate or verify Tenant's compliance with the provision herein. Moreover, neither Tenant nor any third party may construe the permission granted Tenant hereunder to create any responsibility on the part of the Landlord to pay for any improvements, alterations or repairs occasioned by the Tenant. The Tenant shall keep the property free and clear of all liens and, should the Tenant fail to do so, or to have any liens removed from the property within fourteen (14) days of notification to do so by the Landlord, in addition to all other remedies available to the Landlord, the Tenant shall indemnify and hold the Landlord harmless for all costs and expenses, including attorney's fees, occasioned by the Landlord in having said lien removed from the property; and, such costs and expenses shall be billed to the Tenant monthly and shall be payable by the Tenant with that month's regular monthly rental as additional reimbursable expenses to the Landlord by the Tenant.

Section 2. Utilities. Tenant shall pay for all water, sanitation, sewer, electricity, light, heat, gas, power, fuel, janitorial, and other services incident to Tenant's use of the Leased Premises, whether or not the cost thereof be a charge or imposition against the Leased Premises.

ARTICLE VIII - OBLIGATIONS FOR REPAIRS

Section 1. LANDLORD'S Repairs. Subject to any provisions herein to the contrary, and except for maintenance or replacement necessitated as the result of the act or omission of sub lessees, licensees or contractors, the Landlord shall be required to repair only defects, deficiencies, deviations or failures of materials or workmanship in the building. The Landlord shall keep the Leased Premises free of such defects, deficiencies, deviations or failures during the first twelve (12) months of the term hereof.

Section 2. TENANT'S Repairs. The Tenant shall repair and maintain the Leased Premises in good order and condition, except for reasonable wear and tear, the repairs required of Landlord pursuant hereto, and maintenance or replacement necessitated as the result of the act or omission or negligence of the Landlord, its employees, agents, or contractors.

Section 3. Requirements of the Law. The Tenant agrees that if any federal, state or municipal government or any department or division thereof shall condemn the Leased Premises or any part thereof as not in conformity with the laws and regulations relating to the construction thereof as of the commencement date with respect to conditions latent or

otherwise which existed on the Commencement Date, or, with respect to items which are the Landlord's duty to repair pursuant to Section 1 and 3 of this Article; and such federal, state or municipal government or any other department or division thereof, has ordered or required, or shall hereafter order or require, any alterations or repairs thereof or installations and repairs as may be necessary to comply with such laws, orders or requirements (the validity of which the Tenant shall be entitled to contest); and if by reason of such laws, orders or the work done by the Landlord in connection therewith, the Tenant is deprived of the use of the Leased Premises, the rent shall be abated or adjusted, as the case may be, in proportion to that time during which, and to that portion of the Leased Premises of which, the Tenant shall be deprived as a result thereof, and the Landlord shall be obligated to make such repairs, alterations or modifications at Landlord's expense. All such rebuilding, altering, installing and repairing shall be done in accordance with Plans and Specifications approved by the Tenant, which approval shall not be unreasonably withheld. If, however, such condemnation, law, order or requirement, as in this Article set forth, shall be with respect to an item which shall be the Tenant's obligation to repair pursuant to Section 2 of this Article VII or with respect to Tenant's own costs and expenses, no abatement or adjustment of rent shall be granted; provided, however, that Tenant shall also be entitled to contest the validity thereof.

Section 4. TENANT'S Alterations. The Tenant shall have the right, at its sole expense, from time to time, to redecorate the Leased Premises and to make such non-structural alterations and changes in such parts thereof as the Tenant shall deem expedient or necessary for its purposes; provided, however, that such alterations and changes shall neither impair the structural soundness nor diminish the value of the Leased Premises. The Tenant may make structural alterations and additions to the Leased Premises provided that Tenant has first obtained the consent thereto of the Landlord in writing. The Landlord agrees that it shall not withhold such consent unreasonably. The Landlord shall execute and deliver upon the request of the Tenant such instrument or instruments embodying the approval of the Landlord which may be required by the public or quasi public authority for the purpose of obtaining any licenses or permits for the making of such alterations, changes and/or installations in, to or upon the Leased Premises and the Tenant agrees to pay for such licenses or permits.

Section 5. Permits and Expenses. Each party agrees that it will procure all necessary permits for making any repairs, alterations, or other improvements for installations, when applicable. Each Party hereto shall give written notice to the other party of any repairs required of the other pursuant to the provisions of this Article and the party responsible for said repairs agrees promptly to commence such repairs and to prosecute the same to completion diligently, subject, however, to the delays occasioned by events beyond the control of such party. Each party agrees to pay promptly when due the entire cost of any work done by it upon the Leased Premises so that the Leased Premises at all times shall be free of liens for labor and materials. Each party further agrees to hold harmless and indemnify the other party from and against any and all injury, loss, claims or damage to any person or property occasioned by or arising out of the doing of any such work by such party or its employees, agents or contractors. Each party further agrees that in doing

such work that it will employ materials of good quality and comply with all governmental requirements, and perform such work in a good and workmanlike manner.

ARTICLE IX - TENANT'S COVENANTS

Section 1. TENANT's Covenants. Tenant covenants and agrees as follows: a. To procure any licenses and permits required for any use made of the Leased Premises by Tenant, and upon the expiration or termination of this Lease, to remove its goods and effects and those of all persons claiming under it, and to yield up peaceably to Landlord the Leased Premises in good order, repair and condition in all respects; excepting only damage by fire and casualty covered by Tenant's insurance coverage, structural repairs (unless Tenant is obligated to make such repairs hereunder) and reasonable wear and tear; b. To permit Landlord and its agents to examine the Leased Premises at reasonable times and to show the Leased Premises to prospective purchasers of the Building and to provide Landlord, if not already available, with a set of keys for the purpose of said examination, provided that Landlord shall not thereby unreasonably interfere with the conduct of Tenant's business; c. To permit Landlord to enter the Leased Premises to inspect such repairs, improvements, alterations or additions thereto as may be required under the provisions of this Lease. If, as a result of such repairs, improvements, alterations, or additions, Tenant is deprived of the use of the Leased Premises, the rent shall be abated or adjusted, as the case may be, in proportion to that time during which, and to that portion of the Leased Premises of which, Tenant shall be deprived as a result thereof.

ARTICLE X - INDEMNITY BY TENANT

Section 1. Indemnity and Public Liability. The Tenant shall save Landlord harmless and indemnify Landlord from all injury, loss, claims or damage to any person or property while on the Leased Premises, unless caused by the willful acts or omissions or gross negligence of Landlord, its employees, agents, licensees or contractors. Tenant shall maintain, with respect to the Leased Premises, public liability insurance with limits of not less than one million dollars for injury or death from one accident and \$250,000.00 property damage insurance, insuring Landlord and Tenant against injury to persons or damage to property on or about the Leased Premises. A copy of the policy or a certificate of insurance shall be delivered to Landlord on or before the commencement date and no such policy shall be cancelable without ten (10) days prior written notice to Landlord

ARTICLE XI - USE OF PROPERTY BY TENANT

Section 1. Use. The Leased Premises may be occupied and used by Tenant exclusively as a Business (describe), to be known as a TESTING LAB (describe). Nothing herein shall give Tenant the right to use the property for any other purpose or to sublease, assign, or license the use of the property to any sub lessee, assignee, or licensee, which or who shall use the property for any other use.

LANDLORD ERA

TENANT ERA

ARTICLE XII - SIGNAGE

Section 1. Exterior Signs. Tenant shall have the right, at its sole risk and expense and in conformity with applicable laws and ordinances, to erect and thereafter, to repair or replace, if it shall so elect signs on any portion of the Leased Premises, providing that Tenant shall remove any such signs upon termination of this lease, and repair all damage occasioned thereby to the Leased Premises.

Section 2. Interior Signs. Tenant shall have the right, at its sole risk and expense and in conformity with applicable laws and ordinances, to erect, maintain, place and install its usual and customary signs and fixtures in the interior of the Leased Premises.

ARTICLE XIII - INSURANCE

Section 1. Insurance Proceeds. In the event of any damage to or destruction of the Leased Premises, Tenant shall adjust the loss and settle all claims with the insurance companies issuing such policies. The parties hereto do irrevocably assign the proceeds from such insurance policies for the purposes hereinafter stated to any institutional first mortgagee or to Landlord and Tenant jointly, if no institutional first mortgagee then holds an interest in the Leased Premises. All proceeds of said insurance shall be paid into a trust fund under the control of any institutional first mortgagee, or of Landlord and Tenant if no institutional first mortgagee then holds an interest in the Leased Premises, for repair, restoration, rebuilding or replacement, or any combination thereof, of the Leased Premises or of the improvements in the Leased Premises. In case of such damage or destruction, Landlord shall be entitled to make withdrawals from such trust fund, from time to time, upon presentation of: a. bills for labor and materials expended in repair, restoration, rebuilding or replacement, or any combination thereof; b. Landlord's sworn statement that such labor and materials for which payment is being made have been furnished or delivered on site; and c. the certificate of a supervising architect (selected by Landlord and Tenant and approved by an institutional first mortgagee, if any, whose fees will be paid out of said insurance proceeds) certifying that the work being paid for has been completed in accordance with the Plans and Specifications previously approved by Landlord, Tenant and any institutional first mortgagee in a first class, good and workmanlike manner and in accordance with all pertinent governmental requirements. Any insurance proceeds in excess of such proceeds as shall be necessary for such repair, restoration, rebuilding, replacement or any combination thereof shall be the sole property of Landlord subject to any rights therein of Landlord's mortgagee, and if the proceeds necessary for such repair, restoration, rebuilding or replacement, or any combination thereof shall be inadequate to pay the cost thereof, Tenant shall suffer the deficiency.

Section 2. Subrogation. Landlord and Tenant hereby release each other, to the extent of the insurance coverage provided hereunder, from any and all liability or responsibility (to the other or anyone claiming through or under the other by way of subrogation or

otherwise) for any loss to or damage of property covered by the fire and extended coverage insurance policies insuring the Leased Premises and any of Tenant's property, even if such loss or damage shall have been caused by the fault or negligence of the other party.

Section 3. Contribution. Tenant shall reimburse Landlord for all insurance premiums connected with or applicable to the Leased Premises for whatever insurance policy the Landlord, at its sole and exclusive option, should select.

ARTICLE XIV - DAMAGE TO DEMISED PREMISES

Section 1. Abatement or Adjustment of Rent. If the whole or any part of the Leased Premises shall be damaged or destroyed by fire or other casualty after the execution of this Lease and before the termination hereof, then in every case the rent reserved in Article IV herein and other charges, if any, shall be abated or adjusted, as the case may be, in proportion to that portion of the Leased Premises of which Tenant shall be deprived on account of such damage or destruction and the work of repair, restoration, rebuilding, or replacement or any combination thereof, of the improvements so damaged or destroyed, shall in no way be construed by any person to effect any reduction of sums or proceeds payable under any rent insurance policy.

Section 2. Repairs and Restoration. Landlord agrees that in the event of the damage or destruction of the Leased Premises, Landlord forthwith shall proceed to repair, restore, replace or rebuild the Leased Premises (excluding Tenant's leasehold improvements), to substantially the condition in which the same were immediately prior to such damage or destruction. The Landlord thereafter shall diligently prosecute said work to completion without delay or interruption except for events beyond the reasonable control of Landlord. Notwithstanding the foregoing, if Landlord does not either obtain a building permit within ninety (90) days of the date of such damage or destruction, or complete such repairs, rebuilding or restoration and comply with conditions (a), (b) and (c) in Section 1 of Article XIII within nine (9) months of such damage or destruction, then Tenant may at any time thereafter cancel and terminate this Lease by sending ninety (90) days written notice thereof to Landlord, or, in the alternative, Tenant may, during said ninety (90) day period, apply for the same and Landlord shall cooperate with Tenant in Tenant's application. Notwithstanding the foregoing, if such damage or destruction shall occur during the last year of the term of this Lease, or during any renewal term, and shall amount to twenty-five (25%) percent or more of the replacement cost, (exclusive of the land and foundations), this Lease, except as hereinafter provided in Section 3 of Article XV, may be terminated at the election of either Landlord or Tenant, provided that notice of such election shall be sent by the party so electing to the other within thirty (30) days after the occurrence of such damage or destruction.

Upon termination, as aforesaid, by either party hereto, this Lease and the term thereof shall cease and come to an end, any unearned rent or other charges paid in advance by

Tenant shall be refunded to Tenant, and the parties shall be released hereunder, each to the other, from all liability and obligations hereunder thereafter arising.

ARTICLE XV - CONDEMNATION

Section 1. Total Taking. If, after the execution of this Lease and prior to the expiration of the term hereof, the whole of the Leased Premises shall be taken under power of eminent domain by any public or private authority, or conveyed by Landlord to said authority in lieu of such taking, then this Lease and the term hereof shall cease and terminate as of the date when possession of the Leased Premises shall be taken by the taking authority and any unearned rent or other charges, if any, paid in advance, shall be refunded to Tenant.

Section 2. Partial Taking. If, after the execution of this Lease and prior to the expiration of the term hereof, any public or private authority shall, under the power of eminent domain, take, or Landlord shall convey to said authority in lieu of such taking, property which results in a reduction by fifteen (15%) percent or more of the area in the Leased Premises, or of a portion of the Leased Premises that substantially interrupts or substantially obstructs the conducting of business on the Leased Premises; then Tenant may, at its election, terminate this Lease by giving Landlord notice of the exercise of Tenant's election within thirty (30) days after Tenant shall receive notice of such taking. In the event of termination by Tenant under the provisions of Section 1 of this Article XV, this Lease and the term hereof shall cease and terminate as of the date when possession shall be taken by the appropriate authority of that portion of the Entire Property that results in one of the above takings, and any unearned rent or other charges, if any, paid in advance by Tenant shall be refunded to Tenant.

Section 3. Restoration. In the event of a taking in respect of which Tenant shall not have the right to elect to terminate this Lease or, having such right, shall not elect to terminate this Lease, this Lease and the term thereof shall continue in full force and effect and Landlord, at Landlord's sole cost and expense, forthwith shall restore the remaining portions of the Leased Premises, including any and all improvements made theretofore to an architectural whole in substantially the same condition that the same were in prior to such taking. A just proportion of the rent reserved herein and any other charges payable by Tenant hereunder, according to the nature and extent of the injury to the Leased Premises and to Tenant's business, shall be suspended or abated until the completion of such restoration and thereafter the rent and any other charges shall be reduced in proportion to the square footage of the Leased Premises remaining after such taking.

Section 4. The Award. All compensation awarded for any taking, whether for the whole or a portion of the Leased Premises, shall be the sole property of the Landlord whether such compensation shall be awarded for diminution in the value of, or loss of, the leasehold or for diminution in the value of, or loss of, the fee in the Leased Premises, or otherwise. The Tenant hereby assigns to Landlord all of Tenant's right and title to and interest in any and all such compensation. However, the Landlord shall not be entitled to and Tenant shall have the sole right to make its independent claim for and retain any

portion of any award made by the appropriating authority directly to Tenant for loss of business, or damage to or depreciation of, and cost of removal of fixtures, personals and improvements installed in the Leased Premises by, or at the expense of Tenant, and to any other award made by the appropriating authority directly to Tenant.

Section 5. Release. In the event of any termination of this Lease as the result of the provisions of this Article XV, the parties, effective as of such termination, shall be released, each to the other, from all liability and obligations thereafter arising under this lease.

ARTICLE XVI - DEFAULT

Section 1. LANDLORD'S Remedies. In the event that:

- a. Tenant shall on three or more occasions be in default in the payment of rent or other charges herein required to be paid by Tenant (default herein being defined as payment received by Landlord ten or more days subsequent to the due date), regardless of whether or not such default has occurred on consecutive or non-consecutive months; or
- b. Tenant has caused a lien to be filed against the Landlord's property and said lien is not removed within thirty (30) days of recordation thereof; or
- c. Tenant shall default in the observance or performance of any of the covenants and agreements required to be performed and observed by Tenant hereunder for a period of thirty (30) days after notice to Tenant in writing of such default (or if such default shall reasonably take more than thirty (30) days to cure, Tenant shall not have commenced the same within the thirty (30) days and diligently prosecuted the same to completion); or
- d. Sixty (60) days have elapsed after the commencement of any proceeding by or against Tenant, whether by the filing of a petition or otherwise, seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or future Federal Bankruptcy Act or any other present or future applicable federal, state or other statute or law, whereby such proceeding shall not have been dismissed (provided, however, that the non-dismissal of any such proceeding shall not be a default hereunder so long as all of Tenant's covenants and obligations hereunder are being performed by or on behalf of Tenant); then Landlord shall be entitled to its election (unless Tenant shall cure such default prior to such election), to exercise concurrently or successively, any one or more of the following rights:
 - i. Terminate this Lease by giving Tenant notice of termination, in which event this Lease shall expire and terminate on the date specified in such notice of termination, with the same force and effect as though the date so specified were the date herein originally fixed as the termination date of the term of this Lease, and all rights of Tenant under this Lease and in and to the Premises shall expire and terminate, and Tenant shall remain

liable for all obligations under this Lease arising up to the date of such termination, and Tenant shall surrender the Premises to Landlord on the date specified in such notice; or

ii. Terminate this Lease as provided herein and recover from Tenant all damages Landlord may incur by reason of Tenant's default, including, without limitation, a sum which, at the date of such termination, represents the then value of the excess, if any, of (a) the Minimum Rent, Percentage Rent, Taxes and all other sums which would have been payable hereunder by Tenant for the period commencing with the day following the date of such termination and ending with the date herein before set for the expiration of the full term hereby granted, over (b) the aggregate reasonable rental value of the Premises for the same period, all of which excess sum shall be deemed immediately due and payable; or

iii. Without terminating this Lease, declare immediately due and payable all Minimum Rent, Taxes, and other rents and amounts due and coming due under this Lease for the entire remaining term hereof, together with all other amounts previously due, at once; provided, however, that such payment shall not be deemed a penalty or liquidated damages but shall merely constitute payment in advance of rent for the remainder of said term. Upon making such payment, Tenant shall be entitled to receive from Landlord all rents received by Landlord from other assignees, tenants, and subtenants on account of said Premises during the term of this Lease, provided that the monies to which tenant shall so become entitled shall in no event exceed the entire amount actually paid by Tenant to Landlord pursuant to the preceding sentence less all costs, expenses and attorney's fees of Landlord incurred in connection with the re-leasing of the Premises; or

iv. Without terminating this Lease, and with or without notice to Tenant, Landlord may in its own name but as agent for Tenant enter into and upon and take possession of the Premises or any part thereof, and, at landlord's option, remove persons and property therefrom, and such property, if any, may be removed and stored in a warehouse or elsewhere at the cost of, and for the account of Tenant, all without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby, and Landlord may rent the Premises or any portion thereof as the agent of Tenant with or without advertisement, and by private negotiations and for any term upon such terms and conditions as Landlord may deem necessary or desirable in order to re-lease the Premises. Landlord shall in no way be responsible or liable for any rental concessions or any failure to rent the Premises or any part thereof, or for any failure to collect any rent due upon such re-leasing. Upon such re-leasing, all rentals received by Landlord from such re-leasing shall be applied: first, to the payment of any indebtedness (other than any rent due hereunder) from Tenant to Landlord; second, to the payment of any costs and expenses of such re-leasing, including, without limitation, brokerage fees and attorney's fees and costs of alterations and repairs; third, to the payment of rent and other charges then due and unpaid hereunder; and the residue, if any shall be held by Landlord to the extent of and for application in payment of future rent as the same may become due and payable hereunder. In re-leasing the Premises as aforesaid, Landlord may grant rent concessions and Tenant shall not be credited therefore. If such rentals received from such re-leasing shall at any time or from time to time be less than sufficient to pay to Landlord the entire

sums then due from Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall, at Landlord's option, be calculated and paid monthly. No such re-leasing shall be construed as an election by Landlord to terminate this Lease unless a written notice of such election has been given to Tenant by Landlord. Notwithstanding any such re-leasing without termination, Landlord may at any time thereafter elect to terminate this Lease for any such previous default provided same has not been cured; or

v. Without liability to Tenant or any other party and without constituting a constructive or actual eviction, suspend or discontinue furnishing or rendering to Tenant any property, material, labor, Utilities or other service, whether Landlord is obligated to furnish or render the same, so long as Tenant is in default under this Lease; or

vi. Allow the Premises to remain unoccupied and collect rent from Tenant as it comes due; or vii. Foreclose the security interest described herein, including the immediate taking of possession of all property on or in the Premises; or

viii. Pursue such other remedies as are available at law or equity.

e. Landlord's pursuit of any remedy of remedies, including without limitation, any one or more of the remedies stated herein shall not (1) constitute an election of remedies or preclude pursuit of any other remedy or remedies provided in this Lease or any other remedy or remedies provided by law or in equity, separately or concurrently or in any combination, or (2) sever as the basis for any claim of constructive eviction, or allow Tenant to withhold any payments under this Lease.

Section 2. LANDLORD'S Self Help. If in the performance or observance of any agreement or condition in this Lease contained on its part to be performed or observed and shall not cure such default within thirty (30) days after notice from Landlord specifying the default (or if such default shall reasonably take more than thirty (30) days to cure, shall diligently prosecute the same to completion), Landlord may, at its option, without waiving any claim for damages for breach of agreement, at any time thereafter cure such default for the account of Tenant, and any amount paid or contractual liability incurred by Landlord in so doing shall be deemed paid or incurred for the account of Tenant and Tenant agrees to reimburse Landlord therefore and save Landlord harmless therefrom. Provided, however, that Landlord may cure any such default as aforesaid prior to the expiration of said waiting period, without notice to Tenant if any emergency situation exists, or after notice to Tenant, if the curing of such default prior to the expiration of said waiting period is reasonably necessary to protect the Leased Premises or Landlord's interest therein, or to prevent injury or damage to persons or property. If Tenant shall fail to reimburse Landlord upon demand for any amount paid for the account of Tenant hereunder, said amount shall be added to and become due as a part of the next payment of rent due and shall for all purposes be deemed and treated as rent hereunder.

Section 3. TENANT'S Self Help. If Landlord shall default in the performance or observance of any agreement or condition in this Lease contained on its part to be performed or observed, and if Landlord shall not cure such default within thirty (30) days

after notice from Tenant specifying the default (or, if such default shall reasonably take more than thirty (30) days to cure, and Landlord shall not have commenced the same within the thirty (30) days and diligently prosecuted the same to completion), Tenant may, at its option, without waiving any claim for damages for breach of agreement, at any time thereafter cure such default for the account of Landlord and any amount paid or any contractual liability incurred by Tenant in so doing shall be deemed paid or incurred for the account of Landlord and Landlord shall reimburse Tenant therefore and save Tenant harmless therefrom. Provided, however, that Tenant may cure any such default as aforesaid prior to the expiration of said waiting period, without notice to Landlord if an emergency situation exists, or after notice to Landlord, if the curing of such default prior to the expiration of said waiting period is reasonably necessary to protect the Leased Premises or Tenant's interest therein or to prevent injury or damage to persons or property. If Landlord shall fail to reimburse Tenant upon demand for any amount paid or liability incurred for the account of Landlord hereunder, said amount or liability may be deducted by Tenant from the next or any succeeding payments of rent due hereunder; provided, however, that should said amount or the liability therefore be disputed by Landlord, Landlord may contest its liability or the amount thereof, through arbitration or through a declaratory judgment action and Landlord shall bear the cost of the filing fees therefore.

ARTICLE XVII - TITLE

Section 1. Subordination. Tenant shall, upon the request of Landlord in writing, subordinate this Lease to the lien of any present or future institutional mortgage upon the Leased Premises irrespective of the time of execution or the time of recording of any such mortgage. Provided, however, that as a condition to such subordination, the holder of any such mortgage shall enter first into a written agreement with Tenant in form suitable for recording to the effect that: a. in the event of foreclosure or other action taken under the mortgage by the holder thereof, this Lease and the rights of Tenant hereunder shall not be disturbed but shall continue in full force and effect so long as Tenant shall not be in default hereunder, and b. such holder shall permit insurance proceeds and condemnation proceeds to be used for any restoration and repair required by the provisions of Articles XIII, XIV or XV, respectively. Tenant agrees that if the mortgagee or any person claiming under the mortgagee shall succeed to the interest of Landlord in this Lease, Tenant will recognize said mortgagee or person as its Landlord under the terms of this Lease, provided that said mortgagee or person for the period during which said mortgagee or person respectively shall be in possession of the Leased Premises and thereafter their respective successors in interest shall assume all of the obligations of Landlord hereunder. The word "mortgage", as used herein includes mortgages, deeds of trust or other similar instruments, and modifications, and extensions thereof. The term "institutional mortgage" as used in this Article XVII means a mortgage securing a loan from a bank (commercial or savings) or trust company, insurance company or pension trust or any other lender institutional in nature and constituting a lien upon the Leased Premises.

Section 2. Quiet Enjoyment. Landlord covenants and agrees that upon Tenant paying the rent and observing and performing all of the terms, covenants and conditions on Tenant's part to be observed and performed hereunder, that Tenant may peaceably and quietly have, hold, occupy and enjoy the Leased Premises in accordance with the terms of this Lease without hindrance or molestation from Landlord or any persons lawfully claiming through Landlord .

Section 3. Zoning and Good Title. Landlord warrants and represents, upon which warranty and representation Tenant has relied in the execution of this Lease, that Landlord is the owner of the Leased Premises, in fee simple absolute, free and clear of all encumbrances, except for the easements, covenants and restrictions of record as of the date of this Lease. Such exceptions shall not impede or interfere with the quiet use and enjoyment of the Leased Premises by Tenant. Landlord further warrants and covenants that this Lease is and shall be a first lien on the Leased Premises, subject only to any Mortgage to which this Lease is subordinate or may become subordinate pursuant to an agreement executed by Tenant, and to such encumbrances as shall be caused by the acts or omissions of Tenant; that Landlord has full right and lawful authority to execute this Lease for the term, in the manner, and upon the conditions and provisions herein contained; that there is no legal impediment to the use of the Leased Premises as set out herein; that the Leased Premises are not subject to any easements, restrictions, zoning ordinances or similar governmental regulations which prevent their use as set out herein; that the Leased Premises presently are zoned for the use contemplated herein and throughout the term of this lease may continue to be so used therefore by virtue of said zoning, under the doctrine of "non-conforming use", or valid and binding decision of appropriate authority, except, however, that said representation and warranty by Landlord shall not be applicable in the event that Tenant's act or omission shall invalidate the application of said zoning, the doctrine of "non-conforming use" or the valid and binding decision of the appropriate authority. Landlord shall furnish without expense to Tenant, within thirty (30) days after written request therefore by Tenant, a title report covering the Leased Premises showing the condition of title as of the date of such certificate, provided, however, that Landlord's obligation hereunder shall be limited to the furnishing of only one such title report.

Section 4. Licenses. It shall be the Tenant's responsibility to obtain any and all necessary licenses and the Landlord shall bear no responsibility therefore; the Tenant shall promptly notify Landlord of the fact that it has obtained the necessary licenses in order to prevent any delay to Landlord in commencing construction of the Leased Premises.

ARTICLE XVIII - EXTENSIONS/WAIVERS/DISPUTES

Section 1. Extension Period. Any extension hereof shall be subject to the provisions of Article III hereof.

Section 2. Holding Over. In the event that Tenant or anyone claiming under Tenant shall continue occupancy of the Leased Premises after the expiration of the term of this Lease

or any renewal or extension thereof without any agreement in writing between Landlord and Tenant with respect thereto, such occupancy shall not be deemed to extend or renew the term of the Lease, but such occupancy shall continue as a tenancy at will, from month to month, upon the covenants, provisions and conditions herein contained. The rental shall be the rental in effect during the term of this Lease as extended or renewed, prorated and payable for the period of such occupancy.

Section 3. Waivers. Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by said party of any of its rights hereunder. No waiver by either party at any time, express or implied, of any breach of any provision of this Lease shall be deemed a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of the same or any other provision. If any action by either party shall require the consent or approval of the other party, the other party's consent to or approval of such action on any one occasion shall not be deemed a consent to or approval of said action on any subsequent occasion or a consent to or approval of any other action on the same or any subsequent occasion. Any and all rights and remedies which either party may have under this Lease or by operation of law, either at law or in equity, upon any breach, shall be distinct, separate and cumulative and shall not be deemed inconsistent with each other, and no one of them, whether exercised by said party or not, shall be deemed to be an exclusion of any other; and any two or more or all of such rights and remedies may be exercised at the same time.

Section 4. Disputes. It is agreed that, if at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of the said party to institute suit for the recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease. If at any time a dispute shall arise between the parties hereto as to any work to be performed by either of them under the provisions hereof, the party against whom the obligation to perform the work is asserted may perform such work and pay the costs thereof "under protest" and the performance of such work shall in no event be regarded as a voluntary performance and shall survive the right on the part of the said party to institute suit for the recovery of the costs of such work. If it shall be adjudged that there was no legal obligation on the part of the said party to perform the same or any part thereof, said party shall be entitled to recover the costs of such work or the cost of so much thereof as said party was not legally required to perform under the provisions of this Lease and the amount so paid by Tenant may be withheld or deducted by Tenant from any rents herein reserved.

Section 5. TENANT'S Right to cure LANDLORD'S Default. In the event that Landlord shall fail, refuse or neglect to pay any mortgages, liens or encumbrances, the judicial sale of which might affect the interest of Tenant hereunder, or shall fail, refuse or

neglect to pay any interest due or payable on any such mortgage, lien or encumbrance, Tenant may pay said mortgages, liens or encumbrances, or interest or perform said conditions and charge to Landlord the amount so paid and withhold and deduct from any rents herein reserved such amounts so paid, and any excess over and above the amounts of said rents shall be paid by Landlord to Tenant.

Section 6. Notices. All notices and other communications authorized or required hereunder shall be in writing and shall be given by mailing the same by certified mail, return receipt requested, postage prepaid, and any such notice or other communication shall be deemed to have been given when received by the party to whom such notice or other communication shall be addressed. If intended for Landlord the same will be mailed to the address herein above set forth or such other address as Landlord may hereafter designate by notice to Tenant, and if intended for Tenant, the same shall be mailed to Tenant at the address herein above set forth, or such other address or addresses as Tenant may hereafter designate by notice to Landlord.

ARTICLE XIX - PROPERTY DAMAGE

Section 1. Loss and Damage. Notwithstanding any contrary provisions of this Lease, Landlord shall not be responsible for any loss of or damage to property of Tenant or of others located on the Leased Premises, except where caused by the willful act or omission or negligence of Landlord, or Landlord's agents, employees or contractors, provided, however, that if Tenant shall notify Landlord in writing of repairs which are the responsibility of Landlord under Article VII hereof, and Landlord shall fail to commence and diligently prosecute to completion said repairs promptly after such notice, and if after the giving of such notice and the occurrence of such failure, loss of or damage to Tenant's property shall result from the condition as to which Landlord has been notified, Landlord shall indemnify and hold harmless Tenant from any loss, cost or expense arising therefrom.

Section 2. Force Majeure. In the event that Landlord or Tenant shall be delayed or hindered in or prevented from the performance of any act other than Tenant's obligation to make payments of rent, additional rent, and other charges required hereunder, by reason of strikes, lockouts, unavailability of materials, failure of power, restrictive governmental laws or regulations, riots, insurrections, the act, failure to act, or default of the other party, war or other reason beyond its control, then performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay. Notwithstanding the foregoing, lack of funds shall not be deemed to be a cause beyond control of either party.

ARTICLE XX - MISCELLANEOUS

Section 1. Assignment and Subletting. Under the terms and conditions hereunder, Tenant shall have the absolute right to transfer and assign this lease or to sublet all or any

portion of the Leased Premises or to cease operating Tenant's business on the Leased Premises provided that at the time of such assignment or sublease Tenant shall not be in default in the performance and observance of the obligations imposed upon Tenant hereunder, and in the event that Tenant assigns or sublets this property for an amount in excess of the rental amount then being paid, then Landlord shall require as further consideration for the granting of the right to assign or sublet, a sum equal to fifty (50%) percent of the difference between the amount of rental to be charged by Tenant to Tenant's sub lessee or assignee and the amount provided for herein, payable in a manner consistent with the method of payment by the sub lessee or assignee to the Tenant, and/or fifty (50%) percent of the consideration paid or to be paid to Tenant by Tenant's sub lessee or assignee. Landlord must consent in writing to any such sub lessee or assignee, although such consent shall not be unreasonably withheld. The use of the Leased Premises by such assignee or sub lessee shall be expressly limited by and to the provisions of this lease.

Section 2. Fixtures. All personal property, furnishings and equipment presently and all other trade fixtures installed in or hereafter by or at the expense of Tenant and all additions and/or improvements, exclusive of structural, mechanical, electrical, and plumbing, affixed to the Leased Premises and used in the operation of the Tenant's business made to, in or on the Leased Premises by and at the expense of Tenant and susceptible of being removed from the Leased Premises without damage, unless such damage be repaired by Tenant, shall remain the property of Tenant and Tenant may, but shall not be obligated to, remove the same or any part thereof at any time or times during the term hereof, provided that Tenant, at its sole cost and expense, shall make any repairs occasioned by such removal.

Section 3. Estoppel Certificates. At any time and from time to time, Landlord and Tenant each agree, upon request in writing from the other, to execute, acknowledge and deliver to the other or to any person designated by the other a statement in writing certifying that the Lease is unmodified and is in full force and effect, or if there have been modifications, that the same is in full force and effect as modified (stating the modifications), that the other party is not in default in the performance of its covenants hereunder, or if there have been such defaults, specifying the same, and the dates to which the rent and other charges have been paid.

Section 4. Invalidity of Particular Provision. If any term or provision of this Lease or the application hereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 5. Captions and Definitions of Parties. The captions of the Sections of this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions of this Lease. The word "Landlord" and the pronouns referring thereto, shall mean, where the context so admits or requires, the

persons, firm or corporation named herein as Landlord or the mortgagee in possession at any time, of the land and building comprising the Leased Premises. If there is more than one Landlord, the covenants of Landlord shall be the joint and several obligations of each of them, and if Landlord is a partnership, the covenants of Landlord shall be the joint and several obligations of each of the partners and the obligations of the firm. Any pronoun shall be read in the singular or plural and in such gender as the context may require. Except as in this Lease otherwise provided, the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Nothing contained herein shall be deemed or construed by the parties hereto nor by any third party as creating the relationship of principal and agent or of partnership or of a joint venture between the parties hereto, it being understood and agreed that neither any provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of Landlord and Tenant.

Section 6. Brokerage. No party has acted as, by or through a broker in the effectuation of this Agreement, except as set out hereinafter.

Section 7. Entire Agreement. This instrument contains the entire and only agreement between the parties, and no oral statements or representations or prior written matter not contained in this instrument shall have any force and effect. This Lease shall not be modified in any way except by a writing executed by both parties.

Section 8. Governing Law. All matters pertaining to this agreement (including its interpretation, application, validity, performance and breach) in whatever jurisdiction action may be brought, shall be governed by, construed and enforced in accordance with the laws of the State of CA. The parties herein waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in Los Angeles County, State of CA. In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing party may be entitled. In such event, no action shall be entertained by said court or any court of competent jurisdiction if filed more than one year subsequent to the date the cause(s) of action actually accrued regardless of whether damages were otherwise as of said time calculable.

Section 9. Contractual Procedures. Unless specifically disallowed by law, should litigation arise hereunder, service of process therefore may be obtained through certified mail, return receipt requested; the parties hereto waiving any and all rights they may have to object to the method by which service was perfected.

Section 10. Extraordinary remedies. To the extent cognizable at law, the parties hereto, in the event of breach and in addition to any and all other remedies available thereto, may obtain injunctive relief, regardless of whether the injured party can demonstrate that no adequate remedy exists at law.

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Section 11. Reliance on Financial Statement. Tenant shall furnish concurrently with the execution of this lease, a financial statement of Tenant prepared by an accountant. Tenant, both in corporate capacity, if applicable, and individually, hereby represents and warrants that all the information contained therein is complete, true, and correct. Tenant understands that Landlord is relying upon the accuracy of the information contained therein. Should there be found to exist any inaccuracy within the financial statement which adversely affects Tenant's financial standing, or should Tenant's financial circumstances materially change, Landlord may demand, as additional security, an amount equal to an additional two (2) months' rent, which additional security shall be subject to all terms and conditions herein, require a fully executed guaranty by a third party acceptable to Landlord, elect to terminate this Lease, or hold Tenant personally and individually liable hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written or have caused this Lease to be executed by their respective officers thereunto duly authorized. Signed, sealed and delivered in the presence of:

Pacwest Properties LLC.
Erik B. Anderson, "LANDLORD"
Pacific Magnetic & Perextrant Co., Inc.
Erik B. Anderson, "TENANT"

Witness

Witness

STATE OF CA.
COUNTY OF Los Angeles

LANDLORD EBA

TENANT EBA

EXHIBIT "A"
LEGAL DESCRIPTION

The following described real property, together with all improvements thereon: which has a street address as follows:

6837 FARMDALE AVE.

2320 - 005 - 018

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EXHIBIT "B"
TENANT PLANS AND SPECIFICATIONS

Pacific Magnetic & Penetent Co., Inc., shall submit for approval by Prewest Properties L.L.C. all future plans for construction to the property at 6837 Farmdale Ave.

NO such plans exist currently.

Question 2E

COMMERCIAL LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into JAN. 07, 2003 (date), by and between PACWEST Properties L.L.C., whose address is 6837 FARMDALE AVE., (hereinafter referred to as "Landlord"), and PACIFIC Magnetic & Penetrant Co., INC., whose address is 6829 FARMDALE AVE., (hereinafter referred to as "Tenant").

Property - 6829 FARMDALE AVE.

ARTICLE I - GRANT OF LEASE

Landlord, in consideration of the rents to be paid and the covenants and agreements to be performed and observed by the Tenant, does hereby lease to the Tenant and the Tenant does hereby lease and take from the Landlord the property described in Exhibit "A" attached hereto and by reference made a part hereof (the "Leased Premises"), together with, as part of the parcel, all improvements located thereon.

ARTICLE II - LEASE TERM

Section 1. Total Term of Lease. The term of this Lease shall begin on the commencement date, as defined in Section 2 of this Article II, and shall terminate on February 2008 (date)

Section 2. Commencement Date. The "Commencement Date" shall mean the date on which the Tenant shall commence to conduct business on the Leased Premised, so long as such date is not in excess of sixty (60) days subsequent to execution hereof.

ARTICLE III - EXTENSIONS

The parties hereto may elect to extend this Agreement upon such terms and conditions as may be agreed upon in writing and signed by the parties at the time of any such extension.

ARTICLE IV - DETERMINATION OF RENT

The Tenant agrees to pay the Landlord and the Landlord agrees to accept, during the term hereof, at such place as the Landlord shall from time to time direct by notice to the Tenant, rent at the following rates and times:

Section 1. Annual Rent. Annual rent for the term of the Lease shall be 21,404.52 Dollars (\$21,404.52), plus applicable sales tax.

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Section 2. Payment of Yearly Rent. The annual rent shall be payable in advance in equal monthly installments of one-twelfth (1/12th) of the total yearly rent, which shall be 1783.71 Dollars (\$ 1783.71), on the first day of each and every calendar month during the term hereof, and prorata for the fractional portion of any month, except that on the first day of the calendar month immediately following the Commencement Date, the Tenant shall also pay to the Landlord rent at the said rate for any portion of the preceding calendar month included in the term of this Lease. Reference to yearly rent hereunder shall not be implied or construed to the effect that this Lease or the obligation to pay rent hereunder is from year to year, or for any term shorter than the existing Lease term, plus any extensions as may be agreed upon. A late fee in the amount of _____ Dollars (\$ 100.-) shall be assessed if payment is not postmarked or received by Landlord on or before the tenth day of each month.

ARTICLE V - SECURITY DEPOSIT

The Tenant has deposited with the Landlord the sum of 1783.71 Dollars (\$ 1783.71) as security for the full and faithful performance by the Tenant of all the terms of this lease required to be performed by the Tenant. Such sum shall be returned to the Tenant after the expiration of this lease, provided the Tenant has fully and faithfully carried out all of its terms. In the event of a bona fide sale of the property of which the leased premises are a part, the Landlord shall have the right to transfer the security to the purchaser to be held under the terms of this lease, and the Landlord shall be released from all liability for the return of such security to the Tenant.

ARTICLE VI - TAXES

Section 1. Personal Property Taxes. The Tenant shall be liable for all taxes levied against any leasehold interest of the Tenant or personal property and trade fixtures owned or placed by the Tenant in the Leased Premises.

Section 2. Real Estate Taxes. During the continuance of this lease Landlord shall deliver to Tenant a copy of any real estate taxes and assessments against the Leased Property. From and after the Commencement Date, the Tenant shall pay to Landlord not later than twenty-one (21) days after the day on which the same may become initially due, all real estate taxes and assessments applicable to the Leased Premises, together with any interest and penalties lawfully imposed thereon as a result of Tenant's late payment thereof, which shall be levied upon the Leased Premises during the term of this Lease.

Section 3. Contest of Taxes. The Tenant, at its own cost and expense, may, if it shall in good faith so desire, contest by appropriate proceedings the amount of any personal or real property tax. The Tenant may, if it shall so desire, endeavor at any time or times, by appropriate proceedings, to obtain a reduction in the assessed valuation of the Leased Premises for tax purposes. In any such event, if the Landlord agrees, at the request of the

Tenant, to join with the Tenant at Tenant's expense in said proceedings and the Landlord agrees to sign and deliver such papers and instruments as may be necessary to prosecute such proceedings, the Tenant shall have the right to contest the amount of any such tax and the Tenant shall have the right to withhold payment of any such tax, if the statute under which the Tenant is contesting such tax so permits.

Section 4. Payment of Ordinary Assessments. The Tenant shall pay all assessments, ordinary and extraordinary, attributable to or against the Leased Premises not later than twenty-one (21) days after the day on which the same became initially due. The Tenant may take the benefit of any law allowing assessments to be paid in installments and in such event the Tenant shall only be liable for such installments of assessments due during the term hereof.

Section 5. Changes in Method of Taxation. Landlord and Tenant further agree that if at any time during the term of this Lease, the present method of taxation or assessment of real estate shall be changed so that the whole or any part of the real estate taxes, assessment or governmental impositions now levied, assessed or imposed on the Leased Premises shall, in lieu thereof, be assessed, levied, or imposed wholly or in part, as a capital levy or otherwise upon the rents reserved herein or any part thereof, or as a tax, corporation franchise tax, assessment, levy or charge, or any part thereof, measured by or based, in whole or in part, upon the Leased Premises or on the rents derived therefrom and imposed upon the Landlord, then the Tenant shall pay all such taxes, assessments, levies, impositions, or charges. Nothing contained in this Lease shall require the Tenant to pay an estate, inheritance, succession, capital levy, corporate franchise, gross receipts, transfer or income tax of the Landlord, nor shall any of the same be deemed real estate taxes as defined herein unless the same be imposed in lieu of the real estate taxes.

ARTICLE VII - CONSTRUCTION AND COMPLETION

Section 1. Improvements by TENANT. Tenant may have prepared plans and specifications for the construction of improvements, and, if so, such plans and specifications are attached hereto as Exhibit "B" and incorporated herein by reference. Tenant shall obtain all certificates, permits, licenses and other authorizations of governmental bodies or authorities which are necessary to permit the construction of the improvements on the demised premises and shall keep the same in full force and effect at Tenant's cost. Tenant shall negotiate, let and supervise all contracts for the furnishing of services, labor, and materials for the construction of the improvements on the demised premises at its cost. All such contracts shall require the contracting party to guarantee performance and all workmanship and materials installed by it for a period of one year following the date of completion of construction. Tenant shall cause all contracts to be fully and completely performed in a good and workmanlike manner, all to the effect that the improvements shall be fully and completely constructed and installed in accordance with good engineering and construction practice. During the course of construction, Tenant shall, at its cost, keep in full force and effect a policy of builder's risk and liability insurance in a sum equal, from time to time, to three times the amount expended for

construction of the improvements. All risk of loss or damage to the improvements during the course of construction shall be on Tenant with the proceeds from insurance thereon payable to Landlord. Upon completion of construction, Tenant shall, at its cost, obtain an occupancy permit and all other permits or licenses necessary for the occupancy of the improvements and the operation of the same as set out herein and shall keep the same in force. Nothing herein shall alter the intent of the parties that Tenant shall be fully and completely responsible for all aspects pertaining to the construction of the improvements of the demised premises and for the payment of all costs associated therewith. Landlord shall be under no duty to investigate or verify Tenant's compliance with the provision herein. Moreover, neither Tenant nor any third party may construe the permission granted Tenant hereunder to create any responsibility on the part of the Landlord to pay for any improvements, alterations or repairs occasioned by the Tenant. The Tenant shall keep the property free and clear of all liens and, should the Tenant fail to do so, or to have any liens removed from the property within fourteen (14) days of notification to do so by the Landlord, in addition to all other remedies available to the Landlord, the Tenant shall indemnify and hold the Landlord harmless for all costs and expenses, including attorney's fees, occasioned by the Landlord in having said lien removed from the property; and, such costs and expenses shall be billed to the Tenant monthly and shall be payable by the Tenant with that month's regular monthly rental as additional reimbursable expenses to the Landlord by the Tenant.

Section 2. Utilities. Tenant shall pay for all water, sanitation, sewer, electricity, light, heat, gas, power, fuel, janitorial, and other services incident to Tenant's use of the Leased Premises, whether or not the cost thereof be a charge or imposition against the Leased Premises.

ARTICLE VIII - OBLIGATIONS FOR REPAIRS

Section 1. LANDLORD'S Repairs. Subject to any provisions herein to the contrary, and except for maintenance or replacement necessitated as the result of the act or omission of sub lessees, licensees or contractors, the Landlord shall be required to repair only defects, deficiencies, deviations or failures of materials or workmanship in the building. The Landlord shall keep the Leased Premises free of such defects, deficiencies, deviations or failures during the first twelve (12) months of the term hereof.

Section 2. TENANT'S Repairs. The Tenant shall repair and maintain the Leased Premises in good order and condition, except for reasonable wear and tear, the repairs required of Landlord pursuant hereto, and maintenance or replacement necessitated as the result of the act or omission or negligence of the Landlord, its employees, agents, or contractors.

Section 3. Requirements of the Law. The Tenant agrees that if any federal, state or municipal government or any department or division thereof shall condemn the Leased Premises or any part thereof as not in conformity with the laws and regulations relating to the construction thereof as of the commencement date with respect to conditions latent or

otherwise which existed on the Commencement Date, or, with respect to items which are the Landlord's duty to repair pursuant to Section 1 and 3 of this Article; and such federal, state or municipal government or any other department or division thereof, has ordered or required, or shall hereafter order or require, any alterations or repairs thereof or installations and repairs as may be necessary to comply with such laws, orders or requirements (the validity of which the Tenant shall be entitled to contest); and if by reason of such laws, orders or the work done by the Landlord in connection therewith, the Tenant is deprived of the use of the Leased Premises, the rent shall be abated or adjusted, as the case may be, in proportion to that time during which, and to that portion of the Leased Premises of which, the Tenant shall be deprived as a result thereof, and the Landlord shall be obligated to make such repairs, alterations or modifications at Landlord's expense. All such rebuilding, altering, installing and repairing shall be done in accordance with Plans and Specifications approved by the Tenant, which approval shall not be unreasonably withheld. If, however, such condemnation, law, order or requirement, as in this Article set forth, shall be with respect to an item which shall be the Tenant's obligation to repair pursuant to Section 2 of this Article VII or with respect to Tenant's own costs and expenses, no abatement or adjustment of rent shall be granted; provided, however, that Tenant shall also be entitled to contest the validity thereof.

Section 4. TENANT'S Alterations. The Tenant shall have the right, at its sole expense, from time to time, to redecorate the Leased Premises and to make such non-structural alterations and changes in such parts thereof as the Tenant shall deem expedient or necessary for its purposes; provided, however, that such alterations and changes shall neither impair the structural soundness nor diminish the value of the Leased Premises. The Tenant may make structural alterations and additions to the Leased Premises provided that Tenant has first obtained the consent thereto of the Landlord in writing. The Landlord agrees that it shall not withhold such consent unreasonably. The Landlord shall execute and deliver upon the request of the Tenant such instrument or instruments embodying the approval of the Landlord which may be required by the public or quasi public authority for the purpose of obtaining any licenses or permits for the making of such alterations, changes and/or installations in, to or upon the Leased Premises and the Tenant agrees to pay for such licenses or permits.

Section 5. Permits and Expenses. Each party agrees that it will procure all necessary permits for making any repairs, alterations, or other improvements for installations, when applicable. Each Party hereto shall give written notice to the other party of any repairs required of the other pursuant to the provisions of this Article and the party responsible for said repairs agrees promptly to commence such repairs and to prosecute the same to completion diligently, subject, however, to the delays occasioned by events beyond the control of such party. Each party agrees to pay promptly when due the entire cost of any work done by it upon the Leased Premises so that the Leased Premises at all times shall be free of liens for labor and materials. Each party further agrees to hold harmless and indemnify the other party from and against any and all injury, loss, claims or damage to any person or property occasioned by or arising out of the doing of any such work by such party or its employees, agents or contractors. Each party further agrees that in doing

such work that it will employ materials of good quality and comply with all governmental requirements, and perform such work in a good and workmanlike manner.

ARTICLE IX - TENANT'S COVENANTS

Section 1. TENANT's Covenants. Tenant covenants and agrees as follows: a. To procure any licenses and permits required for any use made of the Leased Premises by Tenant, and upon the expiration or termination of this Lease, to remove its goods and effects and those of all persons claiming under it, and to yield up peaceably to Landlord the Leased Premises in good order, repair and condition in all respects; excepting only damage by fire and casualty covered by Tenant's insurance coverage, structural repairs (unless Tenant is obligated to make such repairs hereunder) and reasonable wear and tear; b. To permit Landlord and its agents to examine the Leased Premises at reasonable times and to show the Leased Premises to prospective purchasers of the Building and to provide Landlord, if not already available, with a set of keys for the purpose of said examination, provided that Landlord shall not thereby unreasonably interfere with the conduct of Tenant's business; c. To permit Landlord to enter the Leased Premises to inspect such repairs, improvements, alterations or additions thereto as may be required under the provisions of this Lease. If, as a result of such repairs, improvements, alterations, or additions, Tenant is deprived of the use of the Leased Premises, the rent shall be abated or adjusted, as the case may be, in proportion to that time during which, and to that portion of the Leased Premises of which, Tenant shall be deprived as a result thereof.

ARTICLE X - INDEMNITY BY TENANT

Section 1. Indemnity and Public Liability. The Tenant shall save Landlord harmless and indemnify Landlord from all injury, loss, claims or damage to any person or property while on the Leased Premises, unless caused by the willful acts or omissions or gross negligence of Landlord, its employees, agents, licensees or contractors. Tenant shall maintain, with respect to the Leased Premises, public liability insurance with limits of not less than one million dollars for injury or death from one accident and \$250,000.00 property damage insurance, insuring Landlord and Tenant against injury to persons or damage to property on or about the Leased Premises. A copy of the policy or a certificate of insurance shall be delivered to Landlord on or before the commencement date and no such policy shall be cancelable without ten (10) days prior written notice to Landlord

ARTICLE XI - USE OF PROPERTY BY TENANT

Section 1. Use. The Leased Premises may be occupied and used by Tenant exclusively as a Warehouse (describe), to be known as a Storage (describe). Nothing herein shall give Tenant the right to use the property for any other purpose or to sublease, assign, or license the use of the property to any sub lessee, assignee, or licensee, which or who shall use the property for any other use.

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ARTICLE XII - SIGNAGE

Section 1. Exterior Signs. Tenant shall have the right, at its sole risk and expense and in conformity with applicable laws and ordinances, to erect and thereafter, to repair or replace, if it shall so elect signs on any portion of the Leased Premises, providing that Tenant shall remove any such signs upon termination of this lease, and repair all damage occasioned thereby to the Leased Premises.

Section 2. Interior Signs. Tenant shall have the right, at its sole risk and expense and in conformity with applicable laws and ordinances, to erect, maintain, place and install its usual and customary signs and fixtures in the interior of the Leased Premises.

ARTICLE XIII - INSURANCE

Section 1. Insurance Proceeds. In the event of any damage to or destruction of the Leased Premises, Tenant shall adjust the loss and settle all claims with the insurance companies issuing such policies. The parties hereto do irrevocably assign the proceeds from such insurance policies for the purposes hereinafter stated to any institutional first mortgagee or to Landlord and Tenant jointly, if no institutional first mortgagee then holds an interest in the Leased Premises. All proceeds of said insurance shall be paid into a trust fund under the control of any institutional first mortgagee, or of Landlord and Tenant if no institutional first mortgagee then holds an interest in the Leased Premises, for repair, restoration, rebuilding or replacement, or any combination thereof, of the Leased Premises or of the improvements in the Leased Premises. In case of such damage or destruction, Landlord shall be entitled to make withdrawals from such trust fund, from time to time, upon presentation of: a. bills for labor and materials expended in repair, restoration, rebuilding or replacement, or any combination thereof; b. Landlord's sworn statement that such labor and materials for which payment is being made have been furnished or delivered on site; and c. the certificate of a supervising architect (selected by Landlord and Tenant and approved by an institutional first mortgagee, if any, whose fees will be paid out of said insurance proceeds) certifying that the work being paid for has been completed in accordance with the Plans and Specifications previously approved by Landlord, Tenant and any institutional first mortgagee in a first class, good and workmanlike manner and in accordance with all pertinent governmental requirements. Any insurance proceeds in excess of such proceeds as shall be necessary for such repair, restoration, rebuilding, replacement or any combination thereof shall be the sole property of Landlord subject to any rights therein of Landlord's mortgagee, and if the proceeds necessary for such repair, restoration, rebuilding or replacement, or any combination thereof shall be inadequate to pay the cost thereof, Tenant shall suffer the deficiency.

Section 2. Subrogation. Landlord and Tenant hereby release each other, to the extent of the insurance coverage provided hereunder, from any and all liability or responsibility (to the other or anyone claiming through or under the other by way of subrogation or

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otherwise) for any loss to or damage of property covered by the fire and extended coverage insurance policies insuring the Leased Premises and any of Tenant's property, even if such loss or damage shall have been caused by the fault or negligence of the other party.

Section 3. Contribution. Tenant shall reimburse Landlord for all insurance premiums connected with or applicable to the Leased Premises for whatever insurance policy the Landlord, at its sole and exclusive option, should select.

ARTICLE XIV - DAMAGE TO DEMISED PREMISES

Section 1. Abatement or Adjustment of Rent. If the whole or any part of the Leased Premises shall be damaged or destroyed by fire or other casualty after the execution of this Lease and before the termination hereof, then in every case the rent reserved in Article IV herein and other charges, if any, shall be abated or adjusted, as the case may be, in proportion to that portion of the Leased Premises of which Tenant shall be deprived on account of such damage or destruction and the work of repair, restoration, rebuilding, or replacement or any combination thereof, of the improvements so damaged or destroyed, shall in no way be construed by any person to effect any reduction of sums or proceeds payable under any rent insurance policy.

Section 2. Repairs and Restoration. Landlord agrees that in the event of the damage or destruction of the Leased Premises, Landlord forthwith shall proceed to repair, restore, replace or rebuild the Leased Premises (excluding Tenant's leasehold improvements), to substantially the condition in which the same were immediately prior to such damage or destruction. The Landlord thereafter shall diligently prosecute said work to completion without delay or interruption except for events beyond the reasonable control of Landlord. Notwithstanding the foregoing, if Landlord does not either obtain a building permit within ninety (90) days of the date of such damage or destruction, or complete such repairs, rebuilding or restoration and comply with conditions (a), (b) and (c) in Section 1 of Article XIII within nine (9) months of such damage or destruction, then Tenant may at any time thereafter cancel and terminate this Lease by sending ninety (90) days written notice thereof to Landlord, or, in the alternative, Tenant may, during said ninety (90) day period, apply for the same and Landlord shall cooperate with Tenant in Tenant's application. Notwithstanding the foregoing, if such damage or destruction shall occur during the last year of the term of this Lease, or during any renewal term, and shall amount to twenty-five (25%) percent or more of the replacement cost, (exclusive of the land and foundations), this Lease, except as hereinafter provided in Section 3 of Article XV, may be terminated at the election of either Landlord or Tenant, provided that notice of such election shall be sent by the party so electing to the other within thirty (30) days after the occurrence of such damage or destruction.

Upon termination, as aforesaid, by either party hereto, this Lease and the term thereof shall cease and come to an end, any unearned rent or other charges paid in advance by

Tenant shall be refunded to Tenant, and the parties shall be released hereunder, each to the other, from all liability and obligations hereunder thereafter arising.

ARTICLE XV - CONDEMNATION

Section 1. Total Taking. If, after the execution of this Lease and prior to the expiration of the term hereof, the whole of the Leased Premises shall be taken under power of eminent domain by any public or private authority, or conveyed by Landlord to said authority in lieu of such taking, then this Lease and the term hereof shall cease and terminate as of the date when possession of the Leased Premises shall be taken by the taking authority and any unearned rent or other charges, if any, paid in advance, shall be refunded to Tenant.

Section 2. Partial Taking. If, after the execution of this Lease and prior to the expiration of the term hereof, any public or private authority shall, under the power of eminent domain, take, or Landlord shall convey to said authority in lieu of such taking, property which results in a reduction by fifteen (15%) percent or more of the area in the Leased Premises, or of a portion of the Leased Premises that substantially interrupts or substantially obstructs the conducting of business on the Leased Premises; then Tenant may, at its election, terminate this Lease by giving Landlord notice of the exercise of Tenant's election within thirty (30) days after Tenant shall receive notice of such taking. In the event of termination by Tenant under the provisions of Section 1 of this Article XV, this Lease and the term hereof shall cease and terminate as of the date when possession shall be taken by the appropriate authority of that portion of the Entire Property that results in one of the above takings, and any unearned rent or other charges, if any, paid in advance by Tenant shall be refunded to Tenant.

Section 3. Restoration. In the event of a taking in respect of which Tenant shall not have the right to elect to terminate this Lease or, having such right, shall not elect to terminate this Lease, this Lease and the term thereof shall continue in full force and effect and Landlord, at Landlord's sole cost and expense, forthwith shall restore the remaining portions of the Leased Premises, including any and all improvements made theretofore to an architectural whole in substantially the same condition that the same were in prior to such taking. A just proportion of the rent reserved herein and any other charges payable by Tenant hereunder, according to the nature and extent of the injury to the Leased Premises and to Tenant's business, shall be suspended or abated until the completion of such restoration and thereafter the rent and any other charges shall be reduced in proportion to the square footage of the Leased Premises remaining after such taking.

Section 4. The Award. All compensation awarded for any taking, whether for the whole or a portion of the Leased Premises, shall be the sole property of the Landlord whether such compensation shall be awarded for diminution in the value of, or loss of, the leasehold or for diminution in the value of, or loss of, the fee in the Leased Premises, or otherwise. The Tenant hereby assigns to Landlord all of Tenant's right and title to and interest in any and all such compensation. However, the Landlord shall not be entitled to and Tenant shall have the sole right to make its independent claim for and retain any

portion of any award made by the appropriating authority directly to Tenant for loss of business, or damage to or depreciation of, and cost of removal of fixtures, personals and improvements installed in the Leased Premises by, or at the expense of Tenant, and to any other award made by the appropriating authority directly to Tenant.

Section 5. Release. In the event of any termination of this Lease as the result of the provisions of this Article XV, the parties, effective as of such termination, shall be released, each to the other, from all liability and obligations thereafter arising under this lease.

ARTICLE XVI - DEFAULT

Section 1. LANDLORD'S Remedies. In the event that:

- a. Tenant shall on three or more occasions be in default in the payment of rent or other charges herein required to be paid by Tenant (default herein being defined as payment received by Landlord ten or more days subsequent to the due date), regardless of whether or not such default has occurred on consecutive or non-consecutive months; or
- b. Tenant has caused a lien to be filed against the Landlord's property and said lien is not removed within thirty (30) days of recordation thereof; or
- c. Tenant shall default in the observance or performance of any of the covenants and agreements required to be performed and observed by Tenant hereunder for a period of thirty (30) days after notice to Tenant in writing of such default (or if such default shall reasonably take more than thirty (30) days to cure, Tenant shall not have commenced the same within the thirty (30) days and diligently prosecuted the same to completion); or
- d. Sixty (60) days have elapsed after the commencement of any proceeding by or against Tenant, whether by the filing of a petition or otherwise, seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or future Federal Bankruptcy Act or any other present or future applicable federal, state or other statute or law, whereby such proceeding shall not have been dismissed (provided, however, that the non-dismissal of any such proceeding shall not be a default hereunder so long as all of Tenant's covenants and obligations hereunder are being performed by or on behalf of Tenant); then Landlord shall be entitled to its election (unless Tenant shall cure such default prior to such election), to exercise concurrently or successively, any one or more of the following rights:
 - i. Terminate this Lease by giving Tenant notice of termination, in which event this Lease shall expire and terminate on the date specified in such notice of termination, with the same force and effect as though the date so specified were the date herein originally fixed as the termination date of the term of this Lease, and all rights of Tenant under this Lease and in and to the Premises shall expire and terminate, and Tenant shall remain

liable for all obligations under this Lease arising up to the date of such termination, and Tenant shall surrender the Premises to Landlord on the date specified in such notice; or

ii. Terminate this Lease as provided herein and recover from Tenant all damages Landlord may incur by reason of Tenant's default, including, without limitation, a sum which, at the date of such termination, represents the then value of the excess, if any, of (a) the Minimum Rent, Percentage Rent, Taxes and all other sums which would have been payable hereunder by Tenant for the period commencing with the day following the date of such termination and ending with the date herein before set for the expiration of the full term hereby granted, over (b) the aggregate reasonable rental value of the Premises for the same period, all of which excess sum shall be deemed immediately due and payable; or

iii. Without terminating this Lease, declare immediately due and payable all Minimum Rent, Taxes, and other rents and amounts due and coming due under this Lease for the entire remaining term hereof, together with all other amounts previously due, at once; provided, however, that such payment shall not be deemed a penalty or liquidated damages but shall merely constitute payment in advance of rent for the remainder of said term. Upon making such payment, Tenant shall be entitled to receive from Landlord all rents received by Landlord from other assignees, tenants, and subtenants on account of said Premises during the term of this Lease, provided that the monies to which tenant shall so become entitled shall in no event exceed the entire amount actually paid by Tenant to Landlord pursuant to the preceding sentence less all costs, expenses and attorney's fees of Landlord incurred in connection with the re-leasing of the Premises; or

iv. Without terminating this Lease, and with or without notice to Tenant, Landlord may in its own name but as agent for Tenant enter into and upon and take possession of the Premises or any part thereof, and, at landlord's option, remove persons and property therefrom, and such property, if any, may be removed and stored in a warehouse or elsewhere at the cost of, and for the account of Tenant, all without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby, and Landlord may rent the Premises or any portion thereof as the agent of Tenant with or without advertisement, and by private negotiations and for any term upon such terms and conditions as Landlord may deem necessary or desirable in order to re-lease the Premises. Landlord shall in no way be responsible or liable for any rental concessions or any failure to rent the Premises or any part thereof, or for any failure to collect any rent due upon such re-leasing. Upon such re-leasing, all rentals received by Landlord from such re-leasing shall be applied: first, to the payment of any indebtedness (other than any rent due hereunder) from Tenant to Landlord; second, to the payment of any costs and expenses of such re-leasing, including, without limitation, brokerage fees and attorney's fees and costs of alterations and repairs; third, to the payment of rent and other charges then due and unpaid hereunder; and the residue, if any shall be held by Landlord to the extent of and for application in payment of future rent as the same may become due and payable hereunder. In re-leasing the Premises as aforesaid, Landlord may grant rent concessions and Tenant shall not be credited therefore. If such rentals received from such re-leasing shall at any time or from time to time be less than sufficient to pay to Landlord the entire

sums then due from Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall, at Landlord's option, be calculated and paid monthly. No such re-leasing shall be construed as an election by Landlord to terminate this Lease unless a written notice of such election has been given to Tenant by Landlord. Notwithstanding any such re-leasing without termination, Landlord may at any time thereafter elect to terminate this Lease for any such previous default provided same has not been cured; or

v. Without liability to Tenant or any other party and without constituting a constructive or actual eviction, suspend or discontinue furnishing or rendering to Tenant any property, material, labor, Utilities or other service, whether Landlord is obligated to furnish or render the same, so long as Tenant is in default under this Lease; or

vi. Allow the Premises to remain unoccupied and collect rent from Tenant as it comes due; or vii. Foreclose the security interest described herein, including the immediate taking of possession of all property on or in the Premises; or

viii. Pursue such other remedies as are available at law or equity.

e. Landlord's pursuit of any remedy of remedies, including without limitation, any one or more of the remedies stated herein shall not (1) constitute an election of remedies or preclude pursuit of any other remedy or remedies provided in this Lease or any other remedy or remedies provided by law or in equity, separately or concurrently or in any combination, or (2) sever as the basis for any claim of constructive eviction, or allow Tenant to withhold any payments under this Lease.

Section 2. LANDLORD'S Self Help. If in the performance or observance of any agreement or condition in this Lease contained on its part to be performed or observed and shall not cure such default within thirty (30) days after notice from Landlord specifying the default (or if such default shall reasonably take more than thirty (30) days to cure, shall diligently prosecute the same to completion), Landlord may, at its option, without waiving any claim for damages for breach of agreement, at any time thereafter cure such default for the account of Tenant, and any amount paid or contractual liability incurred by Landlord in so doing shall be deemed paid or incurred for the account of Tenant and Tenant agrees to reimburse Landlord therefore and save Landlord harmless therefrom. Provided, however, that Landlord may cure any such default as aforesaid prior to the expiration of said waiting period, without notice to Tenant if any emergency situation exists, or after notice to Tenant, if the curing of such default prior to the expiration of said waiting period is reasonably necessary to protect the Leased Premises or Landlord's interest therein, or to prevent injury or damage to persons or property. If Tenant shall fail to reimburse Landlord upon demand for any amount paid for the account of Tenant hereunder, said amount shall be added to and become due as a part of the next payment of rent due and shall for all purposes be deemed and treated as rent hereunder.

Section 3. TENANT'S Self Help. If Landlord shall default in the performance or observance of any agreement or condition in this Lease contained on its part to be performed or observed, and if Landlord shall not cure such default within thirty (30) days

after notice from Tenant specifying the default (or, if such default shall reasonably take more than thirty (30) days to cure, and Landlord shall not have commenced the same within the thirty (30) days and diligently prosecuted the same to completion), Tenant may, at its option, without waiving any claim for damages for breach of agreement, at any time thereafter cure such default for the account of Landlord and any amount paid or any contractual liability incurred by Tenant in so doing shall be deemed paid or incurred for the account of Landlord and Landlord shall reimburse Tenant therefore and save Tenant harmless therefrom. Provided, however, that Tenant may cure any such default as aforesaid prior to the expiration of said waiting period, without notice to Landlord if an emergency situation exists, or after notice to Landlord, if the curing of such default prior to the expiration of said waiting period is reasonably necessary to protect the Leased Premises or Tenant's interest therein or to prevent injury or damage to persons or property. If Landlord shall fail to reimburse Tenant upon demand for any amount paid or liability incurred for the account of Landlord hereunder, said amount or liability may be deducted by Tenant from the next or any succeeding payments of rent due hereunder; provided, however, that should said amount or the liability therefore be disputed by Landlord, Landlord may contest its liability or the amount thereof, through arbitration or through a declaratory judgment action and Landlord shall bear the cost of the filing fees therefore.

ARTICLE XVII - TITLE

Section 1. Subordination. Tenant shall, upon the request of Landlord in writing, subordinate this Lease to the lien of any present or future institutional mortgage upon the Leased Premises irrespective of the time of execution or the time of recording of any such mortgage. Provided, however, that as a condition to such subordination, the holder of any such mortgage shall enter first into a written agreement with Tenant in form suitable for recording to the effect that: a. in the event of foreclosure or other action taken under the mortgage by the holder thereof, this Lease and the rights of Tenant hereunder shall not be disturbed but shall continue in full force and effect so long as Tenant shall not be in default hereunder, and b. such holder shall permit insurance proceeds and condemnation proceeds to be used for any restoration and repair required by the provisions of Articles XIII, XIV or XV, respectively. Tenant agrees that if the mortgagee or any person claiming under the mortgagee shall succeed to the interest of Landlord in this Lease, Tenant will recognize said mortgagee or person as its Landlord under the terms of this Lease, provided that said mortgagee or person for the period during which said mortgagee or person respectively shall be in possession of the Leased Premises and thereafter their respective successors in interest shall assume all of the obligations of Landlord hereunder. The word "mortgage", as used herein includes mortgages, deeds of trust or other similar instruments, and modifications, and extensions thereof. The term "institutional mortgage" as used in this Article XVII means a mortgage securing a loan from a bank (commercial or savings) or trust company, insurance company or pension trust or any other lender institutional in nature and constituting a lien upon the Leased Premises.

Section 2. Quiet Enjoyment. Landlord covenants and agrees that upon Tenant paying the rent and observing and performing all of the terms, covenants and conditions on Tenant's part to be observed and performed hereunder, that Tenant may peaceably and quietly have, hold, occupy and enjoy the Leased Premises in accordance with the terms of this Lease without hindrance or molestation from Landlord or any persons lawfully claiming through Landlord .

Section 3. Zoning and Good Title. Landlord warrants and represents, upon which warranty and representation Tenant has relied in the execution of this Lease, that Landlord is the owner of the Leased Premises, in fee simple absolute, free and clear of all encumbrances, except for the easements, covenants and restrictions of record as of the date of this Lease. Such exceptions shall not impede or interfere with the quiet use and enjoyment of the Leased Premises by Tenant. Landlord further warrants and covenants that this Lease is and shall be a first lien on the Leased Premises, subject only to any Mortgage to which this Lease is subordinate or may become subordinate pursuant to an agreement executed by Tenant, and to such encumbrances as shall be caused by the acts or omissions of Tenant; that Landlord has full right and lawful authority to execute this Lease for the term, in the manner, and upon the conditions and provisions herein contained; that there is no legal impediment to the use of the Leased Premises as set out herein; that the Leased Premises are not subject to any easements, restrictions, zoning ordinances or similar governmental regulations which prevent their use as set out herein; that the Leased Premises presently are zoned for the use contemplated herein and throughout the term of this lease may continue to be so used therefore by virtue of said zoning, under the doctrine of "non-conforming use", or valid and binding decision of appropriate authority, except, however, that said representation and warranty by Landlord shall not be applicable in the event that Tenant's act or omission shall invalidate the application of said zoning, the doctrine of "non-conforming use" or the valid and binding decision of the appropriate authority. Landlord shall furnish without expense to Tenant, within thirty (30) days after written request therefore by Tenant, a title report covering the Leased Premises showing the condition of title as of the date of such certificate, provided, however, that Landlord's obligation hereunder shall be limited to the furnishing of only one such title report.

Section 4. Licenses. It shall be the Tenant's responsibility to obtain any and all necessary licenses and the Landlord shall bear no responsibility therefore; the Tenant shall promptly notify Landlord of the fact that it has obtained the necessary licenses in order to prevent any delay to Landlord in commencing construction of the Leased Premises.

ARTICLE XVIII - EXTENSIONS/WAIVERS/DISPUTES

Section 1. Extension Period. Any extension hereof shall be subject to the provisions of Article III hereof.

Section 2. Holding Over. In the event that Tenant or anyone claiming under Tenant shall continue occupancy of the Leased Premises after the expiration of the term of this Lease

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or any renewal or extension thereof without any agreement in writing between Landlord and Tenant with respect thereto, such occupancy shall not be deemed to extend or renew the term of the Lease, but such occupancy shall continue as a tenancy at will, from month to month, upon the covenants, provisions and conditions herein contained. The rental shall be the rental in effect during the term of this Lease as extended or renewed, prorated and payable for the period of such occupancy.

Section 3. Waivers. Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by said party of any of its rights hereunder. No waiver by either party at any time, express or implied, of any breach of any provision of this Lease shall be deemed a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of the same or any other provision. If any action by either party shall require the consent or approval of the other party, the other party's consent to or approval of such action on any one occasion shall not be deemed a consent to or approval of said action on any subsequent occasion or a consent to or approval of any other action on the same or any subsequent occasion. Any and all rights and remedies which either party may have under this Lease or by operation of law, either at law or in equity, upon any breach, shall be distinct, separate and cumulative and shall not be deemed inconsistent with each other, and no one of them, whether exercised by said party or not, shall be deemed to be an exclusion of any other; and any two or more or all of such rights and remedies may be exercised at the same time.

Section 4. Disputes. It is agreed that, if at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of the said party to institute suit for the recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease. If at any time a dispute shall arise between the parties hereto as to any work to be performed by either of them under the provisions hereof, the party against whom the obligation to perform the work is asserted may perform such work and pay the costs thereof "under protest" and the performance of such work shall in no event be regarded as a voluntary performance and shall survive the right on the part of the said party to institute suit for the recovery of the costs of such work. If it shall be adjudged that there was no legal obligation on the part of the said party to perform the same or any part thereof, said party shall be entitled to recover the costs of such work or the cost of so much thereof as said party was not legally required to perform under the provisions of this Lease and the amount so paid by Tenant may be withheld or deducted by Tenant from any rents herein reserved.

Section 5. TENANT'S Right to cure LANDLORD'S Default. In the event that Landlord shall fail, refuse or neglect to pay any mortgages, liens or encumbrances, the judicial sale of which might affect the interest of Tenant hereunder, or shall fail, refuse or

neglect to pay any interest due or payable on any such mortgage, lien or encumbrance, Tenant may pay said mortgages, liens or encumbrances, or interest or perform said conditions and charge to Landlord the amount so paid and withhold and deduct from any rents herein reserved such amounts so paid, and any excess over and above the amounts of said rents shall be paid by Landlord to Tenant.

Section 6. Notices. All notices and other communications authorized or required hereunder shall be in writing and shall be given by mailing the same by certified mail, return receipt requested, postage prepaid, and any such notice or other communication shall be deemed to have been given when received by the party to whom such notice or other communication shall be addressed. If intended for Landlord the same will be mailed to the address herein above set forth or such other address as Landlord may hereafter designate by notice to Tenant, and if intended for Tenant, the same shall be mailed to Tenant at the address herein above set forth, or such other address or addresses as Tenant may hereafter designate by notice to Landlord.

ARTICLE XIX - PROPERTY DAMAGE

Section 1. Loss and Damage. Notwithstanding any contrary provisions of this Lease, Landlord shall not be responsible for any loss of or damage to property of Tenant or of others located on the Leased Premises, except where caused by the willful act or omission or negligence of Landlord, or Landlord's agents, employees or contractors, provided, however, that if Tenant shall notify Landlord in writing of repairs which are the responsibility of Landlord under Article VII hereof, and Landlord shall fail to commence and diligently prosecute to completion said repairs promptly after such notice, and if after the giving of such notice and the occurrence of such failure, loss of or damage to Tenant's property shall result from the condition as to which Landlord has been notified, Landlord shall indemnify and hold harmless Tenant from any loss, cost or expense arising therefrom.

Section 2. Force Majeure. In the event that Landlord or Tenant shall be delayed or hindered in or prevented from the performance of any act other than Tenant's obligation to make payments of rent, additional rent, and other charges required hereunder, by reason of strikes, lockouts, unavailability of materials, failure of power, restrictive governmental laws or regulations, riots, insurrections, the act, failure to act, or default of the other party, war or other reason beyond its control, then performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay. Notwithstanding the foregoing, lack of funds shall not be deemed to be a cause beyond control of either party.

ARTICLE XX - MISCELLANEOUS

Section 1. Assignment and Subletting. Under the terms and conditions hereunder, Tenant shall have the absolute right to transfer and assign this lease or to sublet all or any

portion of the Leased Premises or to cease operating Tenant's business on the Leased Premises provided that at the time of such assignment or sublease Tenant shall not be in default in the performance and observance of the obligations imposed upon Tenant hereunder, and in the event that Tenant assigns or sublets this property for an amount in excess of the rental amount then being paid, then Landlord shall require as further consideration for the granting of the right to assign or sublet, a sum equal to fifty (50%) percent of the difference between the amount of rental to be charged by Tenant to Tenant's sub lessee or assignee and the amount provided for herein, payable in a manner consistent with the method of payment by the sub lessee or assignee to the Tenant, and/or fifty (50%) percent of the consideration paid or to be paid to Tenant by Tenant's sub lessee or assignee. Landlord must consent in writing to any such sub lessee or assignee, although such consent shall not be unreasonably withheld. The use of the Leased Premises by such assignee or sub lessee shall be expressly limited by and to the provisions of this lease.

Section 2. Fixtures. All personal property, furnishings and equipment presently and all other trade fixtures installed in or hereafter by or at the expense of Tenant and all additions and/or improvements, exclusive of structural, mechanical, electrical, and plumbing, affixed to the Leased Premises and used in the operation of the Tenant's business made to, in or on the Leased Premises by and at the expense of Tenant and susceptible of being removed from the Leased Premises without damage, unless such damage be repaired by Tenant, shall remain the property of Tenant and Tenant may, but shall not be obligated to, remove the same or any part thereof at any time or times during the term hereof, provided that Tenant, at its sole cost and expense, shall make any repairs occasioned by such removal.

Section 3. Estoppel Certificates. At any time and from time to time, Landlord and Tenant each agree, upon request in writing from the other, to execute, acknowledge and deliver to the other or to any person designated by the other a statement in writing certifying that the Lease is unmodified and is in full force and effect, or if there have been modifications, that the same is in full force and effect as modified (stating the modifications), that the other party is not in default in the performance of its covenants hereunder, or if there have been such defaults, specifying the same, and the dates to which the rent and other charges have been paid.

Section 4. Invalidity of Particular Provision. If any term or provision of this Lease or the application hereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 5. Captions and Definitions of Parties. The captions of the Sections of this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions of this Lease. The word "Landlord" and the pronouns referring thereto, shall mean, where the context so admits or requires, the

persons, firm or corporation named herein as Landlord or the mortgagee in possession at any time, of the land and building comprising the Leased Premises. If there is more than one Landlord, the covenants of Landlord shall be the joint and several obligations of each of them, and if Landlord is a partnership, the covenants of Landlord shall be the joint and several obligations of each of the partners and the obligations of the firm. Any pronoun shall be read in the singular or plural and in such gender as the context may require. Except as in this Lease otherwise provided, the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Nothing contained herein shall be deemed or construed by the parties hereto nor by any third party as creating the relationship of principal and agent or of partnership or of a joint venture between the parties hereto, it being understood and agreed that neither any provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of Landlord and Tenant.

Section 6. Brokerage. No party has acted as, by or through a broker in the effectuation of this Agreement, except as set out hereinafter.

Section 7. Entire Agreement. This instrument contains the entire and only agreement between the parties, and no oral statements or representations or prior written matter not contained in this instrument shall have any force and effect. This Lease shall not be modified in any way except by a writing executed by both parties.

Section 8. Governing Law. All matters pertaining to this agreement (including its interpretation, application, validity, performance and breach) in whatever jurisdiction action may be brought, shall be governed by, construed and enforced in accordance with the laws of the State of CA. The parties herein waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in Los Angeles County, State of CA. In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing party may be entitled. In such event, no action shall be entertained by said court or any court of competent jurisdiction if filed more than one year subsequent to the date the cause(s) of action actually accrued regardless of whether damages were otherwise as of said time calculable.

Section 9. Contractual Procedures. Unless specifically disallowed by law, should litigation arise hereunder, service of process therefore may be obtained through certified mail, return receipt requested; the parties hereto waiving any and all rights they may have to object to the method by which service was perfected.

Section 10. Extraordinary remedies. To the extent cognizable at law, the parties hereto, in the event of breach and in addition to any and all other remedies available thereto, may obtain injunctive relief, regardless of whether the injured party can demonstrate that no adequate remedy exists at law.

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Section 11. Reliance on Financial Statement. Tenant shall furnish concurrently with the execution of this lease, a financial statement of Tenant prepared by an accountant. Tenant, both in corporate capacity, if applicable, and individually, hereby represents and warrants that all the information contained therein is complete, true, and correct. Tenant understands that Landlord is relying upon the accuracy of the information contained therein. Should there be found to exist any inaccuracy within the financial statement which adversely affects Tenant's financial standing, or should Tenant's financial circumstances materially change, Landlord may demand, as additional security, an amount equal to an additional two (2) months' rent, which additional security shall be subject to all terms and conditions herein, require a fully executed guaranty by a third party acceptable to Landlord, elect to terminate this Lease, or hold Tenant personally and individually liable hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written or have caused this Lease to be executed by their respective officers thereunto duly authorized. Signed, sealed and delivered in the presence of:

PACWEST PROPERTIES L.L.C.
Eric B. Andersen, "LANDLORD"
Pacific Magnetic & Penetrant CO., INC.
Eric B. Andersen, "TENANT"

Eric B. Andersen Witness
Eric B. Andersen Witness

STATE OF CA.
COUNTY OF Los Angeles

LANDLORD EBA

TENANT EBA

EXHIBIT "A"
LEGAL DESCRIPTION

The following described real property, together with all improvements thereon: which has a street address as follows:

6829 FARMDALE AVE

2320 - 005 - 012

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EXHIBIT "B"
TENANT PLANS AND SPECIFICATIONS

Provide All Future Construction plans
for Pacwest Properties L.L.C. approval.

LANDLORD EBA

TENANT EBA

State of South Dakota



OFFICE OF THE SECRETARY OF STATE

Certificate of Organization Limited Liability Company

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Articles of Organization of **PACWEST PROPERTIES, LLC** duly signed and verified, pursuant to the provisions of the South Dakota Limited Liability Company Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Organization and attach hereto a duplicate of the Articles of Organization.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this February 28, 2001.



A handwritten signature in cursive script, reading "Joyce Hazeltine".

Joyce Hazeltine
Secretary of State

Filed this 24th day of
FEB 2001

Joyce Hagelstine

SECRETARY OF STATE

ARTICLES OF ORGANIZATION
OF PACWEST PROPERTIES, LLC

RECEIVED
FEB 28 '01
S.D. SEC. OF STATE

The undersigned person hereby forms a limited liability company under the Uniform Limited Liability Company Act, and adopt as Articles of Organization for such limited liability company the following:

ARTICLE I

The name of the limited liability company is Pacwest Properties, LLC (the "Company").

ARTICLE II

The period of duration of the Company is perpetual.

ARTICLE III

The Company shall have those powers provided for in the Uniform Limited Liability Company Act.

ARTICLE IV

The name and address of the organizer is:

Erik Bruun-Andersen
6829 Farmdale Avenue
North Hollywood, CA 91605

ARTICLE V

The street address of the initial registered and designated office of the limited liability company is 300 South Phillips Avenue, Suite 300, P.O. Box 5027, Sioux Falls, South Dakota 57117-5027, and the name of its initial registered agent at such office is Bradley C. Grossenburg.

ARTICLE VI

On every matter on which a Membership Interest is entitled to vote, each Member shall have one (1) vote per one percent of Sharing Ratio or fraction of Sharing Ratio in the Company, as defined on the Operating Agreement. The vote of the Members holding a Required Interest or a Super Majority Interest, both as defined in the Operating Agreement, shall be required for the Company to take certain actions.

ARTICLE VII

The Member(s) shall not be liable for the debts and obligations of the limited liability company under Section 303(c) of the Uniform Limited Liability Company Act.

ARTICLE VIII

The Operating Agreement will be adopted by the unanimous consent of the Member(s). The power to alter, amend or repeal the Operating Agreement or adopt a new Operating Agreement, is vested in the Member(s) by a Super Majority Interest.

ARTICLE IX

To the full extent permitted by South Dakota law, no Member of the Company shall be liable to the Company or its Members for monetary damages for any act or omission in such Member's capacity as a Member of the Company, except that this Article does not eliminate or limit the liability of a Member to the extent the Member is found liable for: (i) a breach of the Member's duty of loyalty to the Company or its Members; (ii) an act or omission not in good faith that constitutes a breach of duty of the

Member to the Company or an act or omission that involves intentional misconduct or knowing violation of the law; (iii) a transaction from which the Member received an improper benefit whether or not the benefit resulted from an action taken within the scope of the Member's office; or (iv) an act or omission for which the liability of the Member is expressly provided by applicable statute. Any repeal or amendment of this Article by the Member(s) of the Company shall be prospective only and shall not adversely affect any limitation on liability of a Member of the Company existing at the time of such repeal or amendment. The foregoing elimination of liability to the Company or its Member(s) for monetary damages shall not be deemed exclusive of any other rights or limitations of liability or indemnity to which the Member may be entitled under any other provisions of the Articles of Organization or the Operating Agreement of the Company, contract or agreement, vote of Member(s).

Dated this 12 day of FEB, 2001.

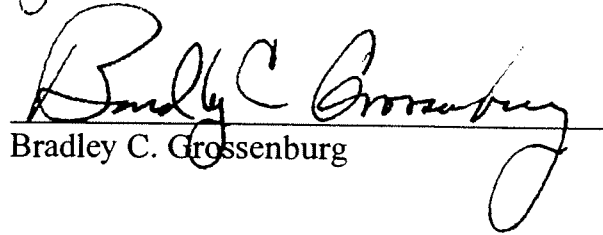
A handwritten signature in black ink, appearing to read "Erik B. Andersen", written over a horizontal line.

Erik Bruun-Andersen - Organizer

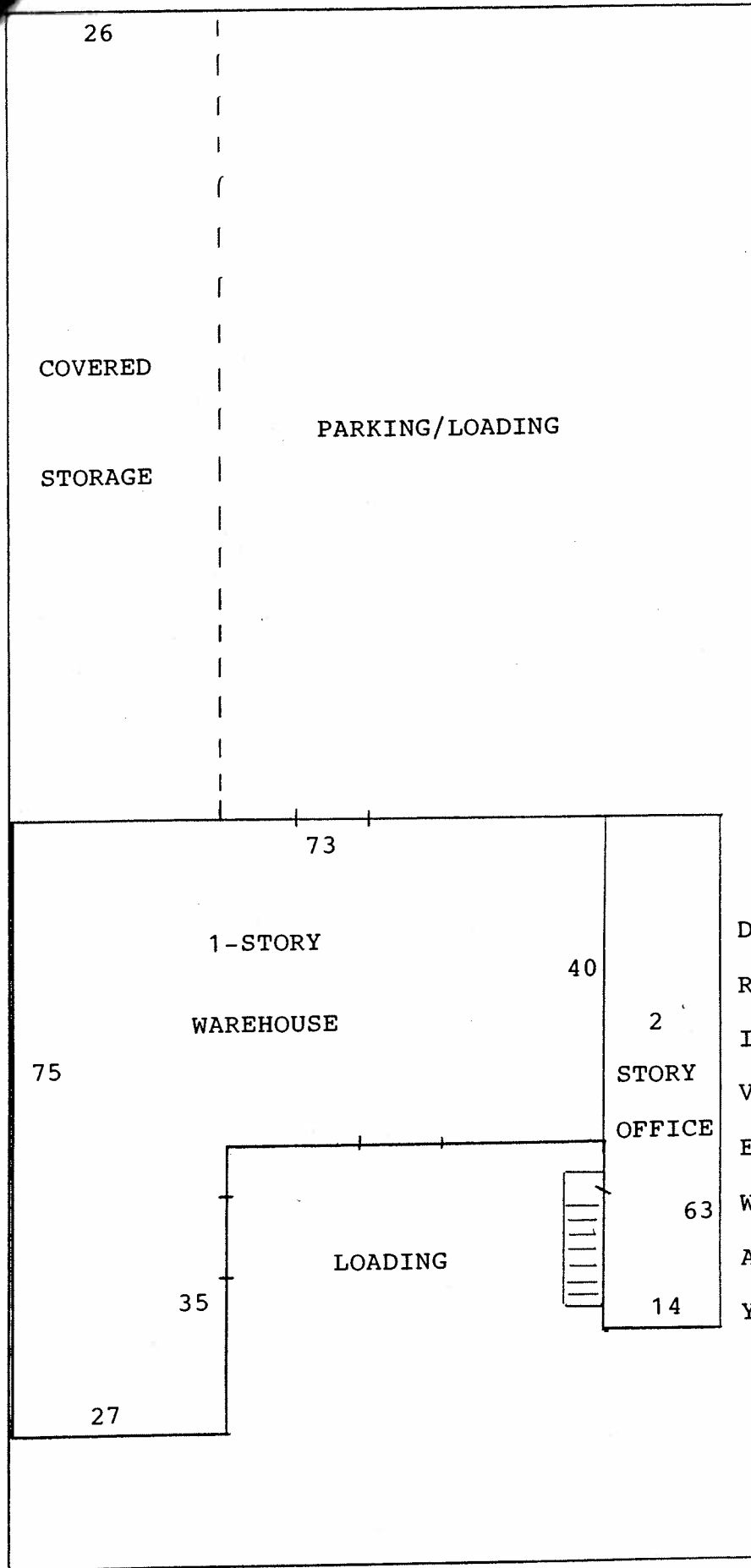
CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, Bradley C. Grossenburg, hereby give my consent to serve as the registered agent
for Pacwest Properties, LLC.

Dated this 15 day of February, 2001.


Bradley C. Grossenburg

190



6829 FARMDALE AVENUE

GROSS BUILDING AREA

14 X 63 X 2 = 1,764

40 X 73 X 1 = 2,920

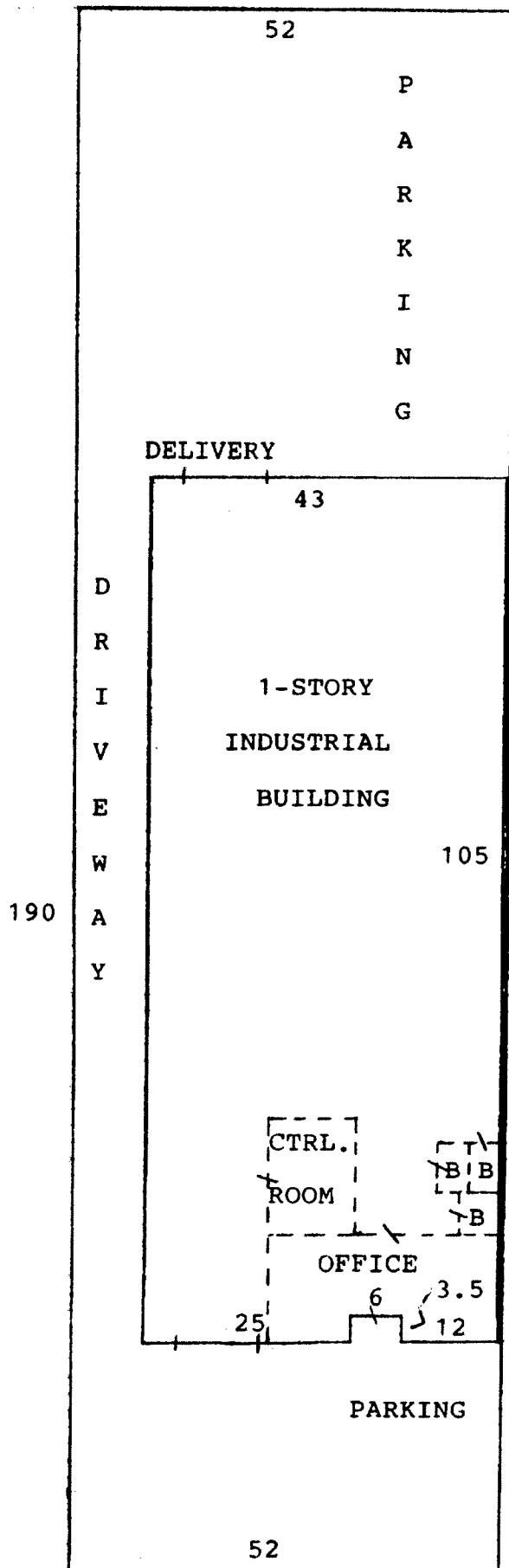
27 X 35 X 1 = 945

TOTAL GBA 5,629 SF

COVERED STORAGE:

26 X 99 = 2,574 SF

Question 18



6837 FARMDALE AVENUE

GROSS BUILDING AREA:

$$43 \times 105 = 4,515$$

$$6 \times 3.5 = (\underline{21})$$

TOTAL GBA: 4,494 SF

N →



Question 24
**Customarq Series
Customarq Classic Insurance Program**

Insuring Agreement

**Chubb Group of Insurance Companies
15 Mountain View Road
Warren, NJ 07059**

Named Insured and Mailing Address

PACIFIC MAGNETIC & PENETRANT CO., INC.
6829 FARMDALE AVE.
NORTH HOLLYWOOD, CA 91605

Policy Number 3535-37-17 WUC

Effective Date NOVEMBER 1, 2005

*Issued by the stock insurance company
indicated below, herein called the company.*

**FEDERAL INSURANCE
COMPANY**

Producer No. 0010092

*Incorporated under the laws of
INDIANA*

Producer INDUSTRIAL RISK AND INSURANCE SERVICES, INC.
1611 E 17TH STREET
SANTA ANA, CA 92705-0000

Company and Policy Period

Insurance is issued by the company in consideration of payment of the required premium.

This policy is issued for the period 12:01 AM standard time at the Named Insured's mailing address shown above:

From: NOVEMBER 1, 2005 **To:** NOVEMBER 1, 2006

Your acceptance of this policy terminates, effective with the inception of this policy, any prior policy of the same number issued to you by us.

This Insuring Agreement together with the Premium Summary, Schedule Of Forms, Declarations, Contracts, Endorsements and Common Policy Conditions comprise this policy. If this policy is a renewal, we have only reissued to you those policy documents containing changes from your previous policy period coverages and any new additional coverages or policy provisions. All other policy documents shown in the Schedule Of Forms accompanying this Insuring Agreement continue in effect.

In Witness Whereof, the company issuing this policy has caused this policy to be signed by its authorized officers, but this policy shall not be valid unless also signed by a duly authorized representative of the company.

FEDERAL INSURANCE COMPANY (incorporated under the laws of Indiana)

Thomas F. Motamed
President

Henry A. Aubel
Secretary

Authorized Representative

Robert Hamburger



Customarq Series Customarq Classic Insurance Program

Premium Summary

Named Insured and Mailing Address

PACIFIC MAGNETIC & PENETRANT CO., INC.
6829 FARMDALE AVE.
NORTH HOLLYWOOD, CA 91605

Chubb Group of Insurance Companies
15 Mountain View Road
Warren, NJ 07059

Policy Number 3535-37-17 WUC

Effective Date NOVEMBER 1, 2005

Issued by the stock insurance company
indicated below, herein called the company.

FEDERAL INSURANCE COMPANY

Producer No. 0010092

Incorporated under the laws of
INDIANA

Producer INDUSTRIAL RISK AND INSURANCE SERVICES, INC.
1611 E 17TH STREET
SANTA ANA, CA 92705-0000

Policy Period

From: NOVEMBER 1, 2005 To: NOVEMBER 1, 2006
12:01 A.M. standard time at the Named Insured's mailing address shown above.

Premium Payment

The first Named Insured shown in the Declarations is responsible for the payment of all premiums and will be the payee for any return premiums we pay.

Estimated Premiums

Premiums shown in this summary with an asterisk(*) are estimated premiums and are subject to audit.

For each audit period we will compute the earned premium for that period based on our audit. If as a result of our audit additional premiums are due, they are payable upon notice to the First Named Insured. If the premium paid is greater than the earned premium, we will return the excess to the first Named Insured. The audit period will be determined by the company and will be that period of time which we deem appropriate for adjustment of those policy premiums which are subject to audit. The first Named Insured must keep records of the information we need to perform the audit and send us copies at such times as we may request.

Coverage	Premium	*
PROPERTY INSURANCE SECTION	\$ 7,433	
LIABILITY INSURANCE SECTION	\$ 1,798	*
TOTAL	\$ 9,231	



Customarq Classic Insurance Program

FOR

PACIFIC MAGNETIC & PENETRANT CO., INC.

Producer:

INDUSTRIAL RISK AND INSURANCE SERVICES, INC.
1611 E 17TH STREET
SANTA ANA, CA 92705-0000

Chubb Servicing Office:

NEWPORT BEACH
3090 BRISTOL STREET
SUITE 600
COSTA MESA, CA 92626-3079



Property Insurance

Schedule of Mortgagees And Loss Payees

Chubb Group of Insurance Companies
15 Mountain View Road
Warren, NJ 07059

Named Insured and Mailing Address

PACIFIC MAGNETIC & PENETRANT CO., INC.
6829 FARMDALE AVE.
NORTH HOLLYWOOD, CA 91605

Policy Number 3535-37-17 WUC

Effective Date NOVEMBER 1, 2005

*Issued by the stock insurance company
indicated below, herein called the company.*

**FEDERAL INSURANCE
COMPANY**

Producer No. 0010092

*Incorporated under the laws of
INDIANA*

Producer INDUSTRIAL RISK AND INSURANCE SERVICES, INC.
1611 E 17TH STREET
SANTA ANA, CA 92705-0000

Policy Period

From: NOVEMBER 1, 2005 To: NOVEMBER 1, 2006
12:01 A.M. standard time at the Named Insured's mailing address shown above.

SCHEDULE

PREMISES # 1 6829 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

MORTGAGEE: LARS E. BRUUN-ANDERSEN, TRUSTEE OF THE NEILS
BRUUN-ANDERSEN TRUST DATED 11-1-90

FX-6 Personal Privacy

PREMISES # 2 6837 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

MORTGAGEE: LARS E. BRUUN-ANDERSEN, TRUSTEE OF THE NEILS
BRUUN-ANDERSEN TRUST DATED 11-1-90

FX-6 Personal Privacy



Property Insurance

Declarations

Chubb Group of Insurance Companies
15 Mountain View Road
Warren, NJ 07059

Named Insured and Mailing Address

PACIFIC MAGNETIC & PENETRANT CO., INC.
6829 FARMDALE AVE.
NORTH HOLLYWOOD, CA 91605

Policy Number 3535-37-17 WUC

Effective Date NOVEMBER 1, 2005

Issued by the stock insurance company indicated below, herein called the company.

**FEDERAL INSURANCE
COMPANY**

Producer No. 0010092

Incorporated under the laws of
INDIANA

Producer INDUSTRIAL RISK AND INSURANCE SERVICES, INC.
1611 E 17TH STREET
SANTA ANA, CA 92705-0000

Policy Period

From: NOVEMBER 1, 2005 To: NOVEMBER 1, 2006
12:01 A.M. standard time at the Named Insured's mailing address shown above.

Deductible \$ 5,000

The deductible shown above applies to all coverages, except Business Income and Extra Expense, and all premises shown in this and all other property declarations, unless a specific deductible is shown following a coverage.

The following displays the coverages provided at the premises stated below:

Premises Coverages

Premises Coverages - Blanket Limits

BLANKET LIMIT OF INSURANCE	\$ 544,384
AUTOMATIC INCREASE IN LIMITS	4%

COVERAGES

PERSONAL PROPERTY

PREMISES #1 6829 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

Premises Coverages*(continued)*

PREMISES #2 6837 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

BLANKET LIMIT OF INSURANCE	\$ 300,000
COINSURANCE	50%
WAITING PERIOD	24 HOURS
EXTENDED PERIOD NUMBER OF DAYS	UNLIMITED

COVERAGES**BUSINESS INCOME WITH EXTRA EXPENSE**

PREMISES #1 6829 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

PREMISES #2 6837 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

BLANKET LIMIT OF INSURANCE	\$ 120,000
DEDUCTIBLE	\$ 1,000
AUTOMATIC INCREASE IN LIMITS	4%

COVERAGES**EDP PROPERTY**

PREMISES #1 6829 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

PREMISES #2 6837 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

BLANKET LIMIT OF INSURANCE	\$ 824,445
AUTOMATIC INCREASE IN LIMITS	4%

COVERAGES**BUILDING**

PREMISES #1 6829 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

PREMISES #2 6837 FARMDALE AVE.
NORTH HOLLYWOOD, CALIFORNIA 91605

Additional Coverages**IN TRANSIT**



Property Insurance

Declarations

Effective Date NOVEMBER 1, 2005

Policy Number 3535-37-17 WUC

Additional Coverages

(continued)

FINE ARTS

LIMIT OF INSURANCE	\$ 50,000
DEDUCTIBLE	\$ 1,000

PERSONAL PROPERTY

LIMIT OF INSURANCE	\$ 20,000
DEDUCTIBLE	\$ 1,000



Property Insurance

Supplementary Declarations — Property

Chubb Group of Insurance Companies
15 Mountain View Road
Warren, NJ 07059

Named Insured and Mailing Address

PACIFIC MAGNETIC & PENETRANT CO., INC.
6829 FARMDALE AVE.
NORTH HOLLYWOOD, CA 91605

Policy Number 3535-37-17 WUC

Effective Date NOVEMBER 1, 2005

Issued by the stock insurance company indicated below, herein called the company.

**FEDERAL INSURANCE
COMPANY**

Producer No. 0010092

Incorporated under the laws of
INDIANA

Producer INDUSTRIAL RISK AND INSURANCE SERVICES, INC.
1611 E 17TH STREET
SANTA ANA, CA 92705-0000

Policy Period

From: NOVEMBER 1, 2005 To: NOVEMBER 1, 2006
12:01 A.M. standard time at the Named Insured's mailing address shown above.

Covered Premises \$250,000 Blanket Limit Of Insurance

The Blanket Limit Of Insurance shown above applies only for the Premises Coverages shown below. Unless otherwise stated, this Blanket Limit Of Insurance applies separately at each covered premises shown in the Declarations. This Blanket Limit Of Insurance applies in excess of the applicable deductible shown in the Declarations.

At time of loss, the first Named Insured may elect to apportion this Blanket Limit Of Insurance to one or any combination of the Premises Coverages shown, but under no circumstance will the aggregate apportionment be permitted to exceed the Blanket Limit Of Insurance shown above at any one covered premises. For the purpose of the application of this \$250,000 Blanket Limit Of Insurance, all property at one premises shall constitute a single premises.

Separate specific Limits Of Insurance may be purchased for each of these Premises Coverages. If purchased, these Limits Of Insurance and any applicable deductible will be shown in the Declarations with the Premises Coverages. If no deductible is shown in the Declarations with the Premises Coverages, then the Property Deductible will apply. When a specific Limit Of Insurance is purchased for any of these Premises Coverages, such specific Limit Of Insurance will apply in addition to whatever amount the first Named Insured apportions to that coverage at time of loss as provided in the previous paragraphs.

Coverages Included In The Blanket Limit Of Insurance:

ACCOUNTS RECEIVABLE	LEASEHOLD INTEREST - UNDAMAGED
ELECTRONIC DATA PROCESSING PROPERTY	TENANT'S IMPROVEMENTS & BETTERMENTS
FINE ARTS	NON - OWNED DETACHED TRAILERS
LEASEHOLD INTEREST -	OUTDOOR TREES, SHRUBS, PLANTS OR LAWNS
BONUS PAYMENT,	PAIR AND SET
PREPAID RENT,	PERSONAL PROPERTY OF EMPLOYEES
SUBLEASE PROFIT,	PUBLIC SAFETY SERVICE CHARGES
TENANTS' LEASE INTEREST	RESEARCH AND DEVELOPMENT PROPERTY
	VALUABLE PAPERS

Property Coverages

The Limits Of Insurance shown below:

- are provided for the Premises Coverages and Additional Coverages shown at no additional cost to you; and
- apply separately at each premises shown in the Declarations, except for the following Additional Coverages which apply anywhere within the Coverage Territory:
 - Any Other Location;
 - Deferred Payments;
 - Exhibition, Fair Or Trade Show;
 - Installation; or
 - In Transit.

The Limits Of Insurance for:

- Debris Removal; and
- Preparation Of Loss Fees,

apply separately at each premises shown in the Declarations or anywhere within the Coverage Territory.

You may purchase increased Limits Of Insurance, and we will charge you an additional premium. If you purchase increased Limits Of Insurance for any of these coverages, the Limits Of Insurance shown in the Declarations will reflect your total Limit Of Insurance, including the Limits Of Insurance shown below. Any applicable deductible will be shown in the Declarations with the coverage. If no deductible is shown in the Declarations with the coverage, then the Property Deductible will apply. Extra Expense Coverage is not subject to any deductible.

Increased Limits Of Insurance cannot be purchased for Impairment of Computer Services – Malicious Programming – Outside Attack.

Extra expense is subject to the:

- Business Income With Extra Expense contract if purchased; or
- Extra Expense contract, if the Business Income With Extra Expense contract is not purchased.



Property Insurance

Supplementary Declarations — Property

Effective Date NOVEMBER 1, 2005

Policy Number 3535-37-17 WUC

Property Coverages

Limit Of Insurance

ANY OTHER LOCATION

ACCOUNTS RECEIVABLE	\$ 15,000
BUILDING COMPONENTS	\$ 15,000
ELECTRONIC DATA PROCESSING PROPERTY	\$ 50,000
FINE ARTS	\$ 15,000
PERSONAL PROPERTY	\$ 15,000
RESEARCH AND DEVELOPMENT PROPERTY	\$ 15,000
VALUABLE PAPERS	\$ 15,000

DEBRIS REMOVAL

PREMISES SHOWN IN THE DECLARATIONS	\$ 100,000
ANY OTHER LOCATION	\$ 25,000
IN TRANSIT	\$ 25,000

DEFERRED PAYMENTS

\$ 25,000

EXHIBITION, FAIR OR TRADE SHOW

ELECTRONIC DATA PROCESSING PROPERTY	\$ 15,000
FINE ARTS	\$ 15,000
PERSONAL PROPERTY	\$ 15,000

EXTRA EXPENSE

\$ 100,000

FUNGUS CLEAN-UP OR REMOVAL

\$ 25,000

IMPAIRMENT OF COMPUTER SERVICES - MALICIOUS PROGRAMMING

INSIDE ATTACK	\$ 100,000
OUTSIDE ATTACK - PER OCCURRENCE	\$ 10,000
OUTSIDE ATTACK - ANNUAL AGGREGATE	\$ 50,000

INSTALLATION

ANY JOB SITE	\$ 25,000
IN TRANSIT	\$ 25,000

Property Coverages**Limit Of Insurance****IN TRANSIT**

ACCOUNTS RECEIVABLE	\$ 15,000
BUILDING COMPONENTS	\$ 15,000
ELECTRONIC DATA PROCESSING PROPERTY	\$ 50,000
FINE ARTS	\$ 15,000
PERSONAL PROPERTY	\$ 15,000
VALUABLE PAPERS	\$ 15,000

LOSS OF MASTER KEY \$ 15,000

LOSS PREVENTION EXPENSES \$ 10,000

MOBILE COMMUNICATION PROPERTY \$ 5,000

MONEY & SECURITIES

ON PREMISES	\$ 15,000
OFF PREMISES	\$ 10,000

POLLUTANT CLEAN-UP OR REMOVAL \$ 25,000

PROCESSING WATER \$ 10,000

PREPARATION OF LOSS FEES \$ 10,000

The following displays the Coverages and the applicable Limits Of Insurance for:

**Newly Acquired Premises Or Newly Acquired Or
Constructed Property****Limit Of Insurance**

BUILDING	\$ 1,000,000
PERSONAL PROPERTY	\$ 500,000
PERSONAL PROPERTY AT EXISTING PREMISES	\$ 100,000
ELECTRONIC DATA PROCESSING EQUIPMENT	\$ 250,000
ELECTRONIC DATA	\$ 50,000
COMMUNICATION PROPERTY	\$ 50,000
FINE ARTS	\$ 15,000



Property Insurance

Supplementary Declarations — Property

Effective Date NOVEMBER 1, 2005

Policy Number 3535-37-17 WUC

You may purchase increased Limits Of Insurance for any of the Newly Acquired Premises or Newly Acquired or Constructed Property Limits Of Insurance shown above and we will charge you an additional premium. If you purchase such increased Limits Of Insurance, the Limits Of Insurance shown in the Declarations will reflect your total limit, including the Limits Of Insurance shown above.

Authorized Representative





Property Insurance

Supplementary Declarations — Business Income

Chubb Group of Insurance Companies
15 Mountain View Road
Warren, NJ 07059

Named Insured and Mailing Address

PACIFIC MAGNETIC & PENETRANT CO., INC.
6829 FARMDALE AVE.
NORTH HOLLYWOOD, CA 91605

Policy Number 3535-37-17 WUC

Effective Date NOVEMBER 1, 2005

Issued by the stock insurance company indicated below, herein called the company.

**FEDERAL INSURANCE
COMPANY**

Producer No. 0010092

Incorporated under the laws of
INDIANA

Producer INDUSTRIAL RISK AND INSURANCE SERVICES, INC.
1611 E 17TH STREET
SANTA ANA, CA 92705-0000

Policy Period

From: NOVEMBER 1, 2005 To: NOVEMBER 1, 2006
12:01 A.M. standard time at the Named Insured's mailing address shown above.

Additional Business Income Coverages

The Limits Of Insurance shown below are provided for the Premises Coverages and Additional Coverages shown at no additional cost to you. You may purchase increased Limits Of Insurance, and we will charge you an additional premium. If you purchase increased Limits Of Insurance for any of these coverages, the Limits Of Insurance shown in the Declarations will reflect your total Limit Of Insurance, including the Limits Of Insurance shown below.

Except for Dependent Business Premises, Any Other Location, Exhibition, Fair or Trade Show and Preparation Of Loss Fees, the Limits Of Insurance shown below apply at each premises for which you have purchased a Limit Of Insurance for Business Income as shown in the Declarations.

The Limit Of Insurance for Dependent Business Premises applies:

- at each of your premises for which you have purchased a Limit Of Insurance for Business Income as shown in the Declarations;
- separately to each **occurrence**, regardless of the number of **dependent business premises** that sustain covered direct physical loss or damage; and
- only if such direct physical loss or damage causes a business income loss (or extra expense loss if Business Income With Extra Expense is purchased) at your premises for which you have purchased a Limit Of Insurance for Business Income as shown in the Declarations,

provided that actual loss for such premises is the direct result of direct physical loss or damage, by a **covered peril**, to the **dependent business premises**.

If you increase the \$100,000 Limit Of Insurance for Dependent Business Premises as provided for in this Supplementary Declarations, such increased Limit Of Insurance:

- will be shown in the Declarations and will reflect your total Dependent Business Premises Limit Of Insurance at the applicable **dependent business premises** shown in the Declarations; and
- is the most we will pay in any one **occurrence** at all premises for which a Limit Of Insurance for Business Income is shown in the Declarations.

The Limit Of Insurance for Any Other Location or Exhibition, Fair or Trade Show applies within the Coverage Territory of this policy.

The Limit Of Insurance for Preparation Of Loss Fees applies at each premises shown in the Declarations or anywhere within the Coverage Territory.

Business Income Coverages

Limit Of Insurance

ANY OTHER LOCATION	\$ 25,000
CONTRACTUAL PENALTIES	\$ 10,000
DEPENDENT BUSINESS PREMISES	\$ 100,000
EXHIBITION, FAIR OR TRADE SHOW	\$ 10,000
PREPARATION OF LOSS FEES	\$ 10,000
INGRESS & EGRESS	\$ 25,000
LOSS OF UTILITIES	\$ 15,000
POLLUTANT CLEAN-UP OR REMOVAL	\$ 10,000

The following displays the coverage and the applicable Limit Of Insurance provided for each newly acquired premises:

Newly Acquired Premises

Limit Of Insurance

BUSINESS INCOME	\$ 100,000
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Authorized Representative



Question 36

IF THIS NOTE IS LOST OR DESTROYED, A BOND MUST BE SECURED BY THE PAYEE.

When paid in full, sign the REQUEST FOR FULL RECONVEYANCE on reverse of Deed of Trust, exactly as your name appears in the document. Deliver to PAYOR with Note.

Payor should deliver the Note and Deed of Trust to TRUSTEE shown in Note and Deed of Trust. The Trustee will issue a FULL RECONVEYANCE for a fee. This is submitted to the County Recorder to be recorded and returned to PAYOR.

6829 Farmdale Ave.

INSTALLMENT NOTE
(INTEREST INCLUDED)

\$200,000.00

Montecito, CA

February 13, 2003

In installments and at the times hereinafter stated, for value received, I/We promise to pay to **Pacific Steel Treating Company, Inc.**, a California corporation, or order, at place where holder designates the sum of **TWO HUNDRED THOUSAND Dollars, (\$200,000.00)** with interest from March 4, 2003 on the amounts of principal remaining from time to time unpaid, until said principal sum is paid, at the rate of **6.8750%** percent per annum. Principal and interest due in monthly installments of one thousand seven hundred eighty-three 71/100 Dollars, \$1783.71, or more on the fourth day of each and every month, beginning on the fourth day of April, 2003, and continuing until said principal sum and the interest thereon has been fully paid.

In the event any installment due under this Note is not received by Beneficiary within 10 days of the date such installment is due, a late charge in an amount equal to 6% of such installment amount shall be due and payable.

In the event Trustor sells, conveys, or alienates title to property, whether voluntarily or involuntarily, all sums then owing under the Note secured hereby shall become immediately due and payable, at the option of the Holder(s) hereof.

This Note is subject to Section 2966 of the Civil Code, which provides that the holder of this Note shall give written notice to the Trustor, or his successor in interest, of prescribed information at least 90 days and not more than 150 days before any balloon payment is due.

AT ANY TIME, THE PRIVILEGE IS RESERVED TO PAY MORE THAN THE SUM DUE. Each payment shall be credited first, on the interest then due; and the remainder on the principal sum; and interest shall thereupon cease upon the amount so credited on the said principal sum. Should default be made in the payment of any of said installments when due, then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this Note. Should suit be commenced to collect this Note or any portion thereof, such sum as the Court may deem reasonable shall be added hereto as attorney's fees. Principal and interest payable in lawful money of the United States of America. This Note is secured by a certain DEED OF TRUST to **Equity Title Company**, a California corporation, as TRUSTEE.

PACWEST Properties, LLC

Pacific Magnetic & Penetrant Co., Inc. - Member

By: Erik Bruun-Andersen, President of Pacific Magnetic & Penetrant Co., Inc., Member

Erik Bruun-Andersen
Manager

Question 36

IF THIS NOTE IS LOST OR DESTROYED, A BOND MUST BE SECURED BY THE PAYEE.

When paid in full, sign the REQUEST FOR FULL RECONVEYANCE on reverse of Deed of Trust, exactly as your name appears in the document. Deliver to PAYOR with Note.

Payor should deliver the Note and Deed of Trust to TRUSTEE shown in Note and Deed of Trust. The Trustee will issue a FULL RECONVEYANCE for a fee. This is submitted to the County Recorder to be recorded and returned to PAYOR.

6837 Farmdale Ave.

INSTALLMENT NOTE (INTEREST INCLUDED)

\$240,000.00

Montecito, CA

January 17, 2003

In installments and at the times hereinafter stated, for value received, I/We promise to pay to Lars E. Bruun-Andersen, Trustee of the Neils Bruun-Andersen Trust Dated November 1, 1990, or order, at place where holder designates the sum of **TWO HUNDRED FORTY THOUSAND Dollars, (\$240,000.00)** with interest from January 31, 2003 on the amounts of principal remaining from time to time unpaid, until said principal sum is paid, at the rate of **6.875%** percent per annum. Principal and interest due in monthly installments of two thousand one hundred forty Dollars and 45/100, (\$2,140.45), or more on the last day of each and every month, beginning on the 28th, day of February, 2003, and continuing until January 31, 2018 when said principal sum and the interest thereon will have been fully paid.

In the event any installment due under this Note is not received by Beneficiary within 10 days of the date such installment is due, a late charge in an amount equal to 6% of such installment amount shall be due and payable.

In the event Trustor sells, conveys, or alienates title to property, whether voluntarily or involuntarily, all sums then owing under the Note secured hereby shall become immediately due and payable, at the option of the Holder(s) hereof.

AT ANY TIME, THE PRIVILEGE IS RESERVED TO PAY MORE THAN THE SUM DUE. Each payment shall be credited first, on the interest then due; and the remainder on the principal sum; and interest shall thereupon cease upon the amount so credited on the said principal sum. Should default be made in the payment of any of said installments when due, then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this Note. Should suit be commenced to collect this Note or any portion thereof, such sum as the Court may deem reasonable shall be added hereto as attorney's fees. Principal and interest payable in lawful money of the United States of America. This Note is secured by a certain DEED OF TRUST to Equity Title Company, a California corporation, as TRUSTEE.

PACWEST Properties, LLC

By: *Erik Bruun-Andersen*
By: Erik Bruun-Andersen, President of Pacific Magnetic & Penetrant Co., Inc., Member